

Nation's Business

USEFUL LOOK AHEAD

SEPTEMBER 1966

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Why all the confusion over profits?

On the drawing board—
a new America



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Nation's Business

September 1966 Vol. 54 No. 9

Published by the Chamber of Commerce of the United States
The national federation of organizations representing
4,750,000 companies and professional and business men
Washington, D.C.

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When we first put it in, the Department bought a year's standard service contract. And during the year, our Dean Brown (above) made a service call

which he still vividly recalls:

"First they sent me home to get some old clothes and hip boots. Then I drove 35 miles to the Pittsburg Yacht Club.

"There I had to wait until the Mud Hen tied up. She's an old flat-bottomed scow.

"It took about half an hour to motor out to the shack, and I still had to wade the last 100 feet because of the mud flats.

"The actual servicing wasn't hard,

Just a couple of clutch parts. But what a trip!"

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WASHINGTON: A LOOK AHEAD

LBJ frets in earnest about overheated economy he foresees this fall. Big airline strike, small steel price rise both got his personal attention. He still believes he can keep the economy in rein.

How? Not by a tax boost, despite pleadings of some advisers. "We've already had a tax rise," he explains privately to Congressmen and others.

The speedup in collecting corporate taxes, the new graduated withholding system for individuals, the social security tax hike, cancelled excise cuts all took about \$13 billion out of the economy, the President reasons.

So, we've already had a tax rise.

Then how will he try to stop galloping inflation?

You can expect to read about still more pressure on Congress to go slow on appropriations.

He is unhappy that lawmakers have overreached the budget and he won't let the lawmakers forget it. He's giving them a regular guilt complex, even though he was the one who told them in State of the Union message that America could spend for guns and butter at same time.

Then there are the wage-price guideposts. You can discount all rumors Administration is abandoning these guidelines. Failure of the 3.2 per cent limit on wage hikes to restrain unions is brushed aside by White House insiders.

The guideposts will still be used, only more selectively.

The 3.2 might be increased, too, as industry's productivity accelerates.

"We realize," a top aide explains, "that they don't work across the board. But we plan to use them in specific cases with specific companies and unions."

It jibes with all current notions that govern-

ment can manipulate the economy from Washington.

Another reason why the Administration is still stuck with the guideposts is "we've seen no better ideas," another White House source confides.

Maybe you've got some ideas for a substitute. Let us know. We'll pass them along to the White House.

So, inflation fighting strategy boils down to this. Jawbone of LBJ will be wielded as main weapon. He will jaw at lawmakers, jaw at business and continue to jaw at unions, maybe with some sweet talk mixed in.

Does this mean no more tax rise at all? It means no more tax rise unless and until the President sees "the timing is right."

Any formula that will trigger a White House request for higher taxes? Like inflation at 3.5 per cent or four per cent, instead of current three per cent? No. He has no formula or combination of economic indicators that would trigger a tax rise proposal.

Will the jawbone work, in the face of Congressional appropriations spree and high-flying union demands? It's doubtful. More inflation is in store.

How much inflation will we have?

The only sure bet is that we will have more. It could get to four per cent or five per cent. Most other countries have had a lot more bloating than that.

But U. S. policy makers think even four or five per cent would be "intolerable" for America. So if it does get even this high, look for more drastic government action—probably higher taxes included.

One source of pressure that could nudge

WASHINGTON: A LOOK AHEAD

your wage and salary costs upward will be higher pay for army of federal workers.

Yearly raises now can be predicted for the 2.7 million on Uncle's payroll. Most recent boost cost more than half a billion bucks.

What will affect your company's compensation costs is that Congress has "principle of comparability" in the law so federal pay can catch up with private industry.

There's still a gap. Government Grade 15 jobs (engineers, lawyers, accountants) got only 3.2 per cent raise this year. To boost them abreast comparable civilian jobs would take a raise four times that much.

So, look for Congress to jump federal salaries up and up so federal agencies can better compete with you for the scarce manpower in lower and middle management.

Comparability principle doesn't cover Uncle's super grades—jobs that pay up to \$25,890. They lag far behind civilian pay.

What will happen if they ship Hoffa off to prison?

Suppose the stocky, testy Teamster boss loses his freedom and fails in his frantic strategy to keep a grip on the reins of Teamster power through prison bars. Let's speculate.

For years the union's vice presidents who run different sections of the country have yearned to break away from the empire Hoffa built.

If the jail door clanks shut behind Hoffa, his lieutenants will plot to return to loose confederation, to the days when a Teamster vice president's word was supreme in his territory.

But a wrestling match inevitably would come, to decide which V.P. would take over the chair behind Hoffa's L-shaped desk in palatial Teamster office in Washington.

Hoffa has dreaded the thought of all this. He flies into a rage at any public suggestion that his underlings are anything but totally loyal.

In his struggle to centralize power, to be top dog, Hoffa has become master at pulling together ever-expanding bargaining units.

Now Teamster officials privately fear Hoffa's zeal to use his collective bargaining powers will

eventually leave the union wide open to new federal legislation to place union under anti-trust law. Then, ironically, Hoffa's power-mad efforts to centralize the Teamsters could bring about union's dismemberment.

Watch for communists—here and abroad—to play emboldened role in fall elections. Evidence of this is picked up by Washington analysts who monitor Red's strategy.

There will be Red praise—or at least temperate words—for Congressional critics of the President's stand in Viet Nam. This is now the line from Moscow—to split all Americans into two groups—"temperate" and "reactionary."

Members of Congress who sharply attack Administration policy enjoy growing exposure via communist press, TV, radio. There's rising Red coverage, too, of our student Left. But Reds will stop short of endorsing U. S. candidates critical of the President.

Instead, in some areas, you'll find communists openly bidding for office themselves. In New York, for example, Herbert Aptheker will be communist candidate for Congress.

Will Reds heat up Cold War in areas outside Viet Nam at election time?

Not likely, Washington says, although there's always possibility of a new flare-up.

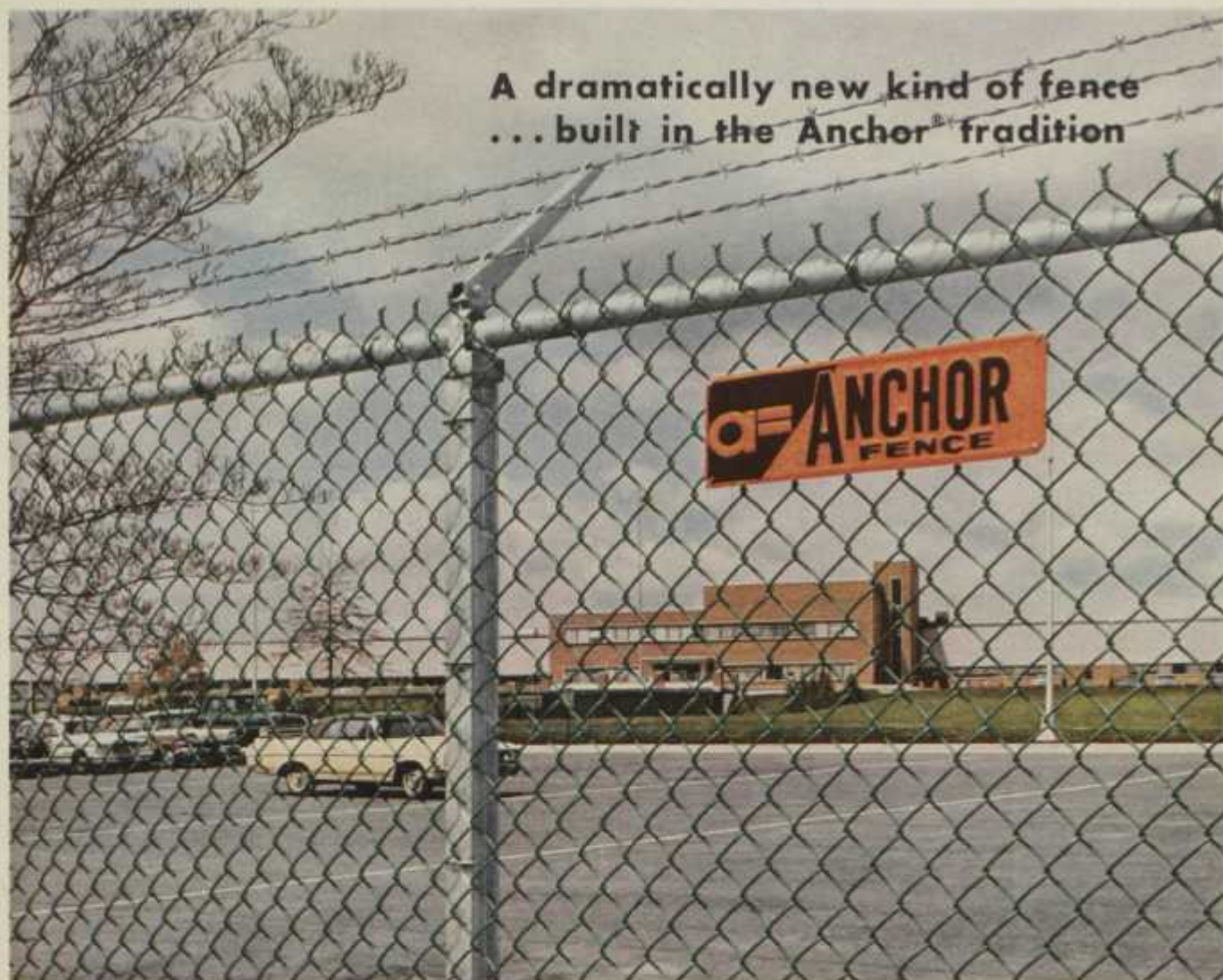
New evidence shows Treasury Department overestimates by fourfold the revenue loss from pending legislation to help your employees with their moving expenses.

Internal Revenue Service now penalizes employees when you shift them from one city to another.

IRS makes employee pay tax on most of what he gets from employer reimbursing him for moving costs.

New legislation would let employees deduct expenses as they did in years past. Business studies find revenue loss would be only about \$60 million. If you want to know more, get five cent pamphlet, "The Family Moving Tax," from Chamber of Commerce of U. S., 1615 H St. N.W., Washington, D.C. 20006.

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In most of the rural reaches of the nation you'd be hard put to find a commercial bank with more front to it than a good solid barn.

That's because competitive banks provide what their customers want in the way their customers are accustomed to seeing things done.

Like painting a neighbor's barn.

It's a cooperative affair that brings people of every persuasion together for a purpose, without sacrificing the individuality of anyone.

Banking works somewhat the same, and in a rural community this is especially easy to see.

A farmer wants to borrow money for seed or land or machinery or outbuildings. He goes to a bank. Then the banker makes a

decision. This he can do only by taking the character measure of the borrower, and working cooperatively with everybody involved while remembering always that the money he's asked to lend belongs, not to him, but to all the people in the community who are his customer-depositors.

Sometimes the loan isn't made. When this happens the community may benefit as much as it does from a loan that goes through.

The paradox is easy. It simply says that a bad bank loan can hurt a community as much as a good bank loan can help it. But there's a lot more to banking than just yes-or-no financing.

There's the advice and counsel that a banker can give the people he knows and serves. There are the

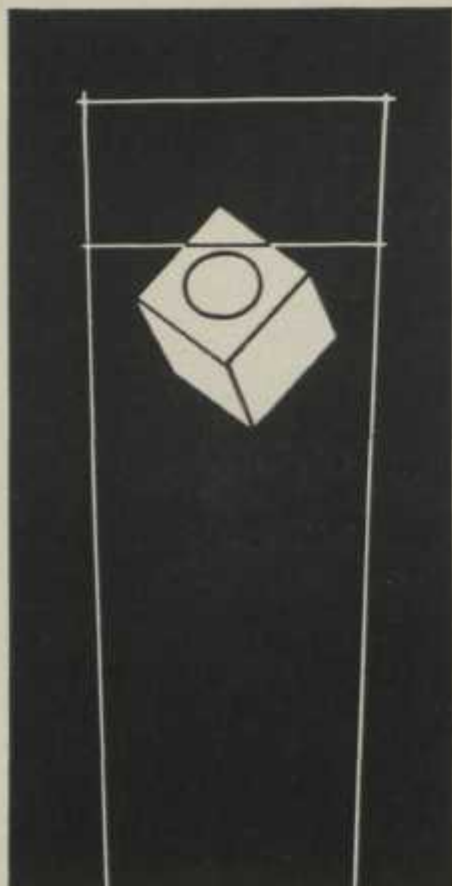
extra resources he can call upon from his correspondent bank. There are personal services and community services and services to merchants.

That's why full service banks truly contribute to our way of life. Competitive among themselves, answerable always to shareholders and customers and knowing that the business of banking in a free economy requires a show of profit for everybody concerned, bankers work overtime for any community—any size.

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Business opinion:

Fixing the blame for the traffic toll

To the Editor:

Alden H. Sypher, author of "Rockabye Hot Rods to the Federal Safety Lullaby," [July] obviously has not been keeping up to date. His statement that shoulder harnesses snap people's necks is an example. The Stapp Car Crash Conferences have shown over and over again that you can survive and walk away from at least 60 m.p.h. crashes, if proper restraining equipment is used. This includes shoulder harness. Without restraint your chances of dying in a 20 m.p.h. crash in today's automobile are pretty good, and a 20 m.p.h. crash is only one ninth as violent as a 60 m.p.h. crash.

The concept of fire hazard dictating the need for a quick release seat belt is ill-founded. Less than six-tenths of one per cent of the 50,000 fatalities per year result from fire.

The seat belt may well keep you conscious so you can escape the fire—if it occurs, provided the belt remains latched.

Mr. Sypher's disdain of estimates of lives saved by seat belts must be feigned. Surely he doesn't condemn the use of polio vaccine because he can't see any of the dead bodies around that the shots are claimed to have saved.

MERRILL J. ALLEN, O.D., PH.D.
Professor of Optometry, Indiana U.
Bloomington, Ind.

Mr. Sypher replies:

In case you're counting on a seat belt to limit injury in case of collision, you might want to follow the procedure outlined by a scheduled airline for the use of seat belts in event of a forced landing:

"Discard all pointed, sharp or breakable objects, such as pencils, spectacles, teeth, etc. Remove your tie and open your collar. Take off your shoes, especially those with high heels. Place cushions, rugs or items of clothing on your knees as subsequent head protection. Place back of your seat in a vertical position, fasten your seat belt and await further instructions.

"Place your head on your knees, padded with a cushion or rug. Clasp your knees or legs with your arms.

"Remain in this position until the plane comes to a halt."

There may be ample warning time in case of a forced landing, but collisions in cars come with split-second suddenness. So really to get the benefit of seat belts in an automobile, presumably the occupants should be in the crash position at all times.

To the Editor:

Thank the Almighty for at least one man in Washington who is trying to put the automobile safety furor back on an even keel.

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Gov. Romney's capitalism

To the Editor:

This is to compliment you on Gov. Romney's important, forward-looking "principle of progress sharing among customers, workers, and owners" [July].

If properly worked out, this principle should alleviate much of the economic waste, unpleasantness and inconvenience to the public which our all too frequent strikes occasion.

CHARLES S. HOBBS
Vice President
Broadway-Hale Stores, Inc.
San Francisco, Calif.

To the Editor:

George Romney's idea of a new capitalism in America is a pretty phrase for a new socialism. He stated that it is right and proper to remove the worker from wage competition, but that's what they do in Russia.

In a nutshell his ideas of the new capitalism are to use government policy to put ownership directly in the hands of those who labor.

He doesn't seem to know much about capitalism.

C. W. STEINBRECHER
San Antonio, Tex.

Gen. Sarnoff's story

To the Editor:

I read the biography of Gen. David Sarnoff in the June issue of NATION'S BUSINESS and was so profoundly impressed with its contents that I am wondering whether you would send me 100 reprints.

It is one of the finest American success stories that I have ever read.

ERWIN C. UHLEIN
Chairman of the Board
Jon. Schlitz Brewing Co.
Milwaukee, Wis.

Checking his bearings

To the Editor:

I have just received my first issue of NATION'S BUSINESS as a new subscriber.

Boy, oh boy, the benefit derived while you are relaxed and digest these articles in quiet is amazing. Where have I been these last few years?

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Executive Trends

- Too late for politics?
- How to make a pool of yourself
- What's cooking in the job field

Eleventh hour isn't too late for business action in politics

Feel like it's too late to start playing a scale-tipping role in the November '66 elections?

Not so, says Paul Morehouse, Goodyear Tire & Rubber Co. He helped launch that firm's successful, extensive efforts in nonpartisan politicking.

A few months, or even weeks, before election day, he says, is the best time to hold plant or office fund-raising drives.

"The average worker is more aware of politics—and his party's financial needs—the closer you get to an election," Mr. Morehouse contends. Goodyear put off some bipartisan fund-raising drives from spring to fall to capitalize on last-minute interest.

Your personal services are still much in demand, too. Check with your precinct headquarters, your favorite candidate's office or your local party committee. Chances are they still have plenty of unfilled jobs.

For more details on what you can—and can't—do politically, consult the Public Affairs Department of the U. S. Chamber of Commerce, Washington, D. C.

Feeling money pinch? This might help you

More small companies, squeezed by rising costs, high taxes and tight money, try "pooling" to solve their problems. It might work for your business.

Here's the idea: Individual firms keep their separate identity but share, or "pool," capital, research and development facilities, marketing operations and other resources.

It makes for a kind of merger, giving small firms the heft of a much larger business.

In plastics, for example, Hawley Products of St. Charles, Ill., an independent processor, has encouraged pooling among 10 other firms in its line.

Hawley has this advice for businesses interested in pooling:

1. Consider only successful companies.
2. Restrict the pool to firms in your field or related lines.
3. Look for companies with varied strengths (such as know-how in different materials or processes, or facilities located in different areas) that will benefit all.
4. Limit membership to businesses willing to yield some independence to cut risk and boost chances for profit growth.

Now's time for sales execs to keep their powder dry

How are your chances in the job market this fall?

Much depends on whether the economy is hot or cool.

That's the word from veteran recruiter Gardner W. Heidrick, of Chicago, whose firm keeps close track of executive openings in 11 key cities.

If there is a leveling trend, or a slump, he explains, job opportunities generally will shrink—except

**You're feeling sleepy.
Now repeat:**



**There is only one Air Express.
There is only one Air Express.
It's a division of REA Express.
It's a division of REA Express.**

Pardon us if we burn it into your subconscious. But if you've been thinking Air Express means just any kind of air cargo service, it's probably costing you. Money. And some important shipping advantages:

Like Air Express priority after air mail on every scheduled airline in America. (Think what that means during peak night rush hours.)

Like Air Express next-day delivery to 21,000 communities throughout the U.S., Canada and Puerto Rico.

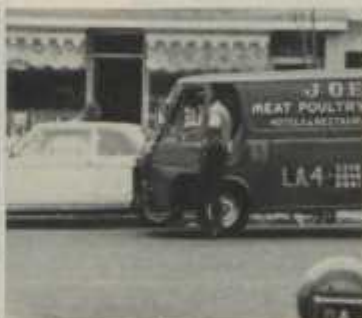
Like if you ship from 5 to 50 pounds, Air Express often costs you less than even surface carrier.

Next time, try Air Express spelled with a capital A and E. Call your local REA Express office. Air Express outdelivers them all . . . anywhere in the U.S.A.

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Up to 25% more mileage.

The Workhorse tire is built for the stop-and-go grind of pickup and delivery.

The Workhorse has Tufsyn, toughest rubber Goodyear ever used in tires. And more of it—where it counts. The tread is 20% deeper. Undertread is thicker, too. To give you up to 25% more rubber between the cord and the road. The Workhorse delivers as much as 25% more mileage than tires now used in most pickup and delivery work.

Light trucks don't always travel light.

This is no Sunday tire. Pile on

the tools, appliances, sand and gravel, camping equipment, logs or livestock. The Workhorse has stronger sidewalls for extra load-carrying strength. Helps you haul more. In fewer trips.

Cuts rocks and potholes down to size.

The Workhorse is a natural on rough roads. Or no roads. Take off across a cornfield, or jump a curb. The strong triple-tempered nylon cord carcass shrugs off bruises, bumps and scrapes.

Get a longer ride for your tire dollar.

Next time you need tires for your pickup, panel, or light delivery truck, go to your Goodyear Dealer or Goodyear Service Store. Tell them to mount the Workhorse. Prices start at less than \$15.00.* Goodyear, Akron, Ohio 44316.



The Workhorse tire gives you a choice of two tread designs. Rib type (shown above) for over-the-road use. Extra-traction design for on and off-the-road work.

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GOOD YEAR

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**This is Sue Law.
She hated high school math.**

EXECUTIVE TRENDS

continued

for marketers, sales executives. They'll be in even higher demand as companies push to recapture lost ground.

As of now, recruiters report overall demand still high, though off the torrid pace set last spring. Pay is up markedly in most fields the past 12 to 16 months, but lately there has been some ease-off for financial, engineering-science and general management people.

Would you believe flowers attract top talent?

Well, would you believe they help?

Robert A. Huttemeyer—a partner in the recruiting firm of Thorn-dike Deland Associates—does. Here's why:

Flowers arrived for a proud new mother and her son in the hospital the day after delivery. They were from the division manager of a company which had been trying without success to persuade the husband—a proud, young marketing exec—to switch.

"Whether the flowers did the trick or not may be debatable," concedes Mr. Huttemeyer, "but the fact is the man did make the change."

Why industry worries more over "equal opportunity" rule

Many companies are scared stiff by the federal rules and red-tape invoked to enforce the equal employment law. Especially middle-sized firms—and those in areas where the topic's touchy.

In fact, some are hiring Washington liaison men just to help them unravel the skein of directives and grievances.

In the center of the storm are the Office of Federal Contracts Compliance (OFCC), which polices hiring practices of 30,000 firms with government contracts, and the Equal Employment Opportunity Commission (EEOC), which deals with discrimination complaints.

H. J. Brown International, Washington-based consultant, says it is receiving numerous requests from companies for go-between work with the federal offices. President Harlan J. Brown observes that one federal department alone—Health, Education and Welfare—recently

hired 100 compliance officers to police HEW contracts.

"This is indicative of what's happening in the government," he comments.

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You've heard about, and perhaps even hired, temporary secretaries, clerks, even salesmen.

What's less known is that now you can employ highly trained space-age specialists for temporary or one-shot service.

One national firm filling the demand for technical temporaries is Consultants & Designers, Inc. Its billings have zoomed from \$7 million as recently as 1959 to more than \$21 million last year.

C&D's 3,000-plus people remain on the C&D payroll while doing temporary jobs for clients on a weekly or monthly basis. Some never leave C&D premises but handle client projects in-house.

A C&D spokesman says, "Such requests as a 200-man engineering team for a six-month rush job are now routine."

Advantages to the employer? Notably avoidance of fringe benefits, recruiting and training expenses.

Other firms big in this field are Kelly Services, Inc., Manpower, Inc., and Lehigh Design Co.

Accident tips for companies with cars

Does your company operate its own auto fleet?

Here are suggestions on what the driver of a company-owned vehicle should, and should not do, in the event of an accident:

Call the police—if only to protect your company against unfair demands by the other driver.

Tell police your location and the extent of injuries.

Note the time, weather conditions, seating position of passengers, the other driver's name, address, license number and any damage to the vehicles.

Answer police questions, but don't admit responsibility or commit yourself in any way. (Don't exchange more than basic identification with the other driver.)

The Travelers Insurance Companies—a major insurer of automobiles—supplied the hints, noted they could prove to be a real time and money-saver if there is litigation.



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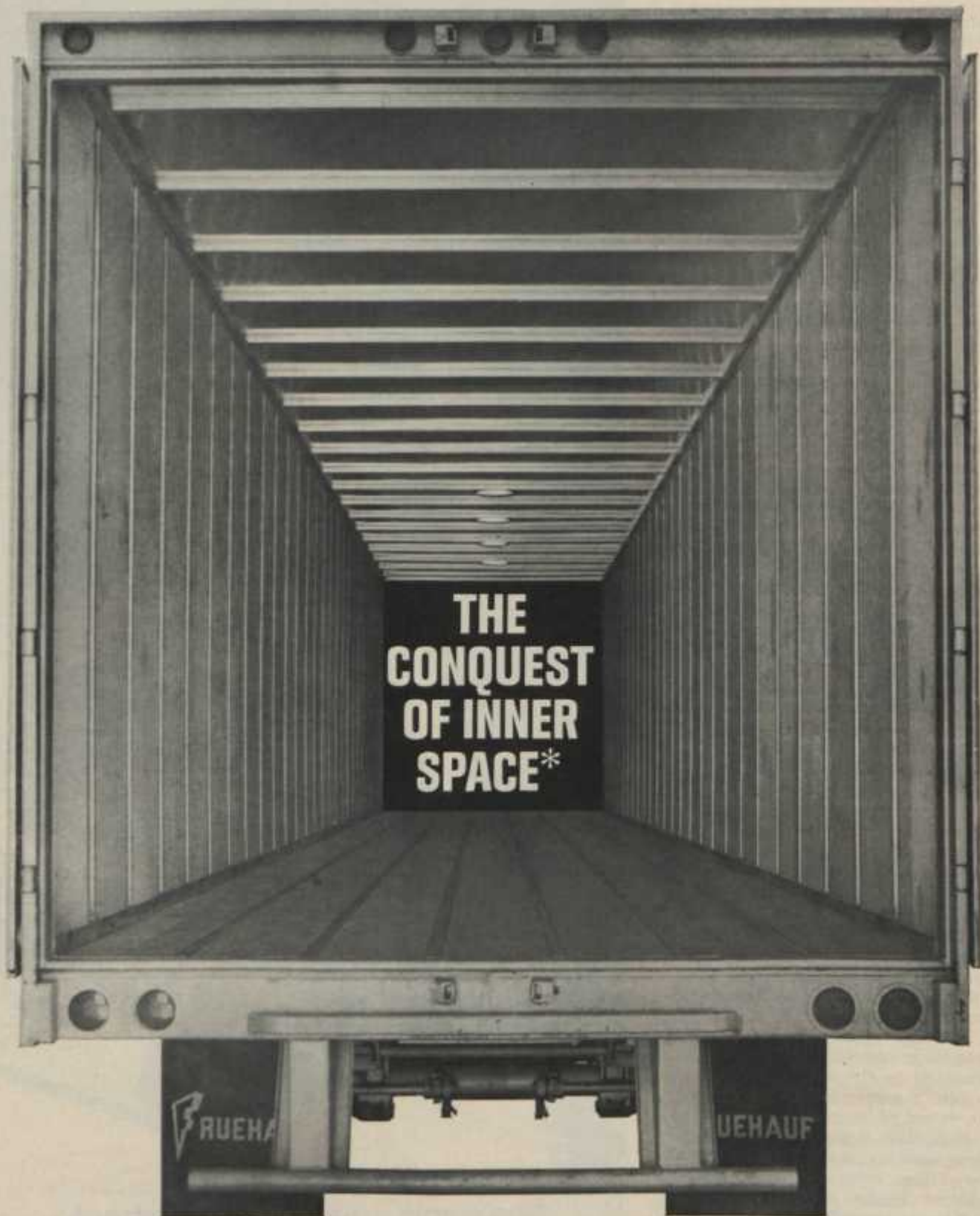
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Unlike old soldiers, labels never fade away

BY PETER LISAGOR

"He's a wheeler-dealer."

"He's a nice guy with few or no enemies."

"He's a windbag."

"He's a war hero and can do no wrong."

"He's ruthless and consumed with ambition."

"He's a used car salesman."

With the 1966 Congressional election campaign swinging into high gear, Washington is once again acutely conscious of the labels and legends by which its political life is sustained. And on the list above are a few familiar labels of well-known figures who have passed through or now inhabit this capital.

The odd thing about the list is that, in most instances, it represents a first or early impression made by the individuals it describes. In an age of instant image-making, with the most advanced techniques of packaging and peddling public personalities, one might think that a political aspirant or officeholder could alter or cultivate any existing impression of himself. But the hard fact seems to be that the imprint a man makes at the outset of his career has the indelible quality of a tattoo.

The men with a favorable image have an easy time of it. All they really have to do is to avoid getting caught doing something they oughtn't to be doing. For the favorable label appears to be equally ineradicable and virtually immune to deprecation and abuse. Gen. Dwight D. Eisenhower is perhaps an exceptional example, but it is a fact that the withering criticism he got from some quarters during his eight years in the White House changed nothing: to the general public he was always above the storm, genial, steady and untouchable.

For those who bear the unflattering labels, however, the task is a different one. They are constantly, and often vainly, engaged in what Walter Pater described as "curiously testing new opinions and courting new impressions." Some find the scrubbing-up process almost as futile as trying to erase a birth-

mark, and many simply resign themselves to their yoke and seek to make the best of a bad beginning.

President Johnson is not among this latter group. From the days when he first came into national prominence, he has been burdened with the image of a manipulator, a flamboyant, free-and-easy sharpshooter and trader who knew where the action was and who was a student of the odds—in short, a wheeler-dealer. The impression took hold in his days as Senate majority leader and never let go.



PHOTO: WIDE WORLD

Harry Truman solved an image problem by resorting to an old political subterfuge made famous by FDR

Not even the superb restraint, the poised humility, the evenhanded manner he displayed during the precarious transition period following President Kennedy's assassination could obliterate the LBJ reputation as an "operator," although it lay respectfully dormant for several months.

After a decent interval, the shroud lifted and President Johnson began to exhibit his overpowering talent for governing—perhaps ruling would be a better word. He probed into every corner of the government, intruded into labor disputes, cautioned industry against price increases, established something of a revolving door at the White House for

Mr. Lisagor is the White House correspondent for The Chicago Daily News.

TRENDS: WASHINGTON MOOD

the spokesmen of every politically important group in the country, kept his telephones hot in exhorting and cajoling and persuading Congressional leaders to support his legislative program.

There is in this wheeler-dealer concept, unfortunately, a hint of the unscrupulous, the unprincipled, which has no basis in any legitimate evidence adduced by even his most severe detractor. Yet it lingers to the point that serious Presidential pronouncements are diminished by it, and the Administration's credibility forever marred by it.

From the President's standpoint, the saddest consequence of this tenacious impression is his unrelenting campaign to eradicate it, a campaign which in itself contributes to its perpetuation. For like all such efforts, the techniques are contrived and unnatural, and a man of Mr. Johnson's strong, vivid personality is immediately apprehended when he tries to be anyone but himself. Television, especially, is a cruel betrayer of the smile in the wrong places, of the awkward gesture, of the artificial mannerism.

The President might do well to review the career of Harry S. Truman, who had some substantial image problems of his own. As revealed in Cabell Phillips' recent book, "The Truman Presidency—The History of a Triumphant Succession," at a low point in Truman's early years in the White House just prior to the 1948 election, one of his astute assistants, Clark Clifford, prepared a memorandum analyzing the formidable handicaps he bore and making recommendations to surmount them.

It was Clifford's view that Truman had to do something drastic about his sagging image. The man from Independence, Mo., had been a near nonentity when he abruptly inherited the Presidency after Franklin D. Roosevelt's death. Although many sympathized with him as "a man of the people trying to do his best," far too many remembered that he couldn't even make a small haberdashery business go.

Clifford suggested that Truman let it be known that he had lunch "with an Einstein or a Henry Ford" and that he "speak out now and then about an important current book he is reading." Truman also was advised to get out of Washington into the hinterlands so that he could be seen and heard by people at first hand. A President who is also a candidate "must resort to subterfuge," Clifford noted. "He must resort to the kind of trip Roosevelt made famous in the 1940 campaign—the inspection tour." Clifford correctly pointed out that "no matter how much the opposition and the press pointed out the political overtones of those (FDR) trips, the people paid little attention, for what they saw was the Head of State performing his duties."

Truman took some of the advice, but he never stopped being himself. And when the time came, he got his dander up, went out into the country and gave 'em hell, and staged one of the biggest political upsets of the century. People identified with the

scrappy underdog, among other things. And his opponent, G.O.P. nominee Thomas E. Dewey, had labored under the label of the "little man on top of the wedding cake," which connoted a remote and cold dandy and thus generated no warmth in the voters.

President Johnson doesn't run for re-election until 1968, but he is already making the so-called "inspection tour" and his forays "just happen" to be in districts where Democratic candidates for Congress need some help or the kind of exposure to crowds which any President attracts, no matter how unpopular or disliked he is alleged to be. It is this writer's judgment that LBJ has appeal for a great many people when he is simply being himself, dispensing corn in copious quantities, telling the tall tales of the Texas hill country, waving his arms and pounding the lectern with the evangelistic fervor of his good friend, Dr. Billy Graham, and reminding his audiences of the federal bonanza in welfare measures he has unearthed since he entered the White House.

Like the President, several other prominent men in both parties are struggling to soften or erase disheartening early impressions. Almost from the day he came to the U. S. Senate in 1948, Vice President Hubert H. Humphrey has suffered from the popular conception that he is windy and nearly incapable of brevity in speeches or conversations.

Humphrey cheerfully concedes that he likes to talk, that there is an almost glandular compulsion for him to speak his piece at length. Thus the wind-bag label has attached itself to him, despite the fact that he is a man who invariably has something of consequence to say, who is as fertile in ideas as in syntax, who is seldom boring, and who, paradoxically enough, is a good listener.

If the political prophets are right, and if fate doesn't intervene, Humphrey will be in a battle for control of the Democratic Party when the Johnson writ is run, presumably in 1972, with New York Sen. Robert F. Kennedy, who also is burdened with an early-impression label: ruthless and overly ambitious. If Bobby Kennedy were to join a monastery after giving away all his money and renouncing all aspirations to power, it probably would still not change the view of some that he is an alley scrapper without scruples, who has gone into seclusion to plot his campaign for the Presidency.

For former Vice President Richard M. Nixon, the label is trickiness, excessive guile and opportunism. Nixon, who is a contender for the Republican Presidential nomination in 1968, came within an eyelash of winning the White House against John F. Kennedy in 1960. But he has never fully recovered from the speech he made on television in 1952, the so-called Checkers speech named after his dog, in which he defended himself against charges of being the beneficiary of a slush fund collected by a group of California supporters.

For those unsavory first impressions which candidates in both major parties regretfully make there seems to be no easy, cosmetic solution. The best they can do, until time and circumstances possibly erode it, is to grin and bear it.



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What is meant by a "compensating balance"...and how does it affect the cost of borrowing money?

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Do we really want to be brainwashed?

BY FELIX MORLEY

That modern man in general wants and needs to be propagandized by his government is the disturbing thesis persuasively presented in an important book by the eminent French sociologist, Professor Jacques Ellul.

Nobody who investigates is likely to take M. Ellul's opinions lightly. His fame long since spread throughout Europe from the University of Bordeaux, where students from many nations crowd his lectures on social problems. And he has become widely known in the United States since the translation of his book on "The Technological Society," to which the present study of "Propaganda" is in some respects a sequel.

The central argument is that while governmental propaganda is a very old device it is changing from persuasion to dictation as a result of the increasing complexities of civilization. Many problems are now so complicated that people cannot even pretend to know the answers and must turn to the technicians for guidance. This is a fundamental alteration in old theories of representative government.

The average British wage earner, for instance, has little understanding of the balance-of-payments problem. He evidently does not realize that national wealth is geared to national productivity and that if the latter declines his purchasing power will tend to decline also. Having elected a Labor Government the big unions naturally expect some special consideration. So it is something of a shock when a Socialist Prime Minister is belatedly forced to apply severe restraints to labor. This is not the sort of outcome on which the old propaganda focused.

Or, in a wholly different field, the average American cannot say whether it makes sense for us to land astronauts on the moon. That this can eventually be accomplished, after the expenditure of countless billions, now seems probable. But we must leave it to the President to tell us why this seemingly barren achievement will be desirable for ourselves

and our posterity. Again the answer boils down to official assertion that it is necessary for national security.

. . .

More illustrations would only confirm Professor Ellul's thesis that governmental propaganda is changing from its old line of persuasion to a new line of command. And new words are coming in, here in the United States, to illustrate that change. We talk now of a national "image," which presumably reflects us all, or of a "consensus" from which divergence is somehow undesirable. The danger in this, according to our French scholar, is that the standards of conformity are set for us from above. The role of the citizen is being reduced to one of willing acquiescence.

This means that a very real distinction has arisen between governmental propaganda and that in the form of advertising, editorializing, tendentious teaching or other private propaganda channels. The latter, no matter how persuasively presented, can be resisted. But that which is spread by government, no matter how reasonable, is becoming mandatory. This widening difference between unofficial and official propaganda explains the title of Professor Ellul's book in the original French, which is "Propagandes." English, a clumsier language, cannot translate this plural neatly as "Propagandas."

One of the merits of this French study is that it is not confined to propaganda methods of any one government, but surveys what is a universal phenomenon. The book does emphasize, however, that procedures which were much criticized when introduced by totalitarian governments are now common among those calling themselves democratic. The Ministry of Enlightenment in Nazi Germany is now paralleled by bureaus of public information in every department of modern government, by voluminous releases "for background use," by official "briefings" and by televised ceremonies in which the Chief of State lays down the party line.

A recent illustration of the development of official

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

TRENDS: STATE OF THE NATION

propaganda with us was a press conference on Viet Nam where the Assistant Secretary of Defense for Public Affairs was asked whether he expected American newspapers "to be the handmaidens of government." His reply was a strong affirmative.

The problem would be easier if Professor Ellul would blame such attitudes on official arrogance, which antagonized voters could repudiate at the polls. But this he refuses to do. On the contrary, the response to governmental guidance is somewhat akin to that aroused by the church in days gone by. "There is not just a wicked propagandist at work who sets up means to ensnare the innocent citizen. Rather, there is a citizen who craves propaganda from the bottom of his being and a propagandist who responds to this craving."

And, unfortunately, it is the educated rather than the illiterate who often have the deepest craving to be instructed by the State in what and how to think. The minds of many college graduates have been conditioned by large doses of incoherent and often superficial information, which Ellul calls "pre-propaganda." In order to pose as well-informed one must "have an opinion on every important question of our time" and if this is relayed from official sources it is considered both authoritative and patriotic. The government is asked to give the answers and not surprisingly it responds.

• • •

It is the effect of this on democratic processes with which Professor Ellul is most concerned. Effective governmental propaganda, he reasons, must in the long run lead to the suppression of any opposing viewpoint. But when that happens: "What is this democracy that no longer includes minorities and opposition?"

Just over two centuries ago, in 1762, another French philosopher (though born in Switzerland) brilliantly formulated the theory of a "general will" to which all citizens must conform. Jean Jacques Rousseau argued, in his famous little book "The Social Contract," that once there is consensus the government must enforce it, with no tolerance for dissenters. This was the theory behind the Reign of Terror in the French Revolution and in due course was adopted by Karl Marx for communism. "Dictatorship of the Proletariat" is justified when the poor are in the majority, and thereby entitled to control their government.

The catch in this alluring idea was clearly seen by the men who wrote the Constitution of the United States, less than a decade after Rousseau's death. Since no precise definition of the popular will on any issue can ever be attained, a dictatorship is actually required to declare and define what the people are thought to want. To avert such an outcome the Constitution of the United States carefully limited and divided the powers of the national government, leaving as much authority as possible to the localities where the popular will, at least on

local issues, could be expressed with some precision.

It is scarcely necessary to observe that the executive branch of our national government has now secured great concentration of power in a republic that remains federal only in name. To justify this revolution it has been necessary to assert that it has furthered freedom and democracy. But it is not apparent that either of these is advanced when people surrender control over their local affairs. Therefore official propaganda, in heavy and soporific doses, is necessary to quiet the doubts of those who question whether this is really political progress. And the doses are welcome precisely because they tend to quiet these doubts.

Professor Ellul sees no bad faith in this tremendous change. To him it is a universal social phenomenon and not a plot by power-seeking politicians. As he says cuttingly: "It is possible that when the United States makes its propaganda for freedom, it really *thinks* it is defending freedom." The point, however, is not what government propagandists think but the fact that we more or less happily let them form our thinking.

Although the compliment is backhanded, this French expert considers our official propaganda extremely able. He suggests that President Johnson can manipulate American opinion more easily than President de Gaulle can direct that of France. But the reasons cited are not agreeable. They are traced to a fear of nonconformity, a passion for the grandiose and a mistrust of ideas that are not obviously "practical." He finds us particularly prone to resist beliefs foreign to our own pattern of thinking, which is regarded as a characteristic of brainwashed people. "One can almost postulate that those who call every idea they do not share 'propaganda' are themselves almost completely products of propaganda."

• • •

On balance, however, this French indictment seems more stimulating than convincing. In this country, today, there is no lack of individual criticism of national policies. The session of Congress now closing has demonstrated that the White House, powerful though it has become, is still far from getting its way in all respects. The new "Freedom of Information" Act will somewhat limit the scope of official secrecy, even though its claim of protecting "the people's right to know" is dubious.

These considerations, however, do not offset the main thrust of Professor Ellul's argument, which is that here as in other democracies governmental policies are being accepted at face value, with far less effective criticism than in former years. It is well to be reminded of this trend by an objective foreign observer, especially as we approach a Congressional election in which the President is seeking blanket indorsement of his mistakes as well as of his accomplishments.

Also evident is widespread doubt as to the credibility of information put out by Washington. This applies not only to Viet Nam but to the progress of "The Great Society" in general. Rosy assurances from the White House are not regarded as the last word on anything.

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Can we afford to play follow the leader?

BY ALDEN H. SYPHER

STOCKHOLM—The way of the western world in the future may be found in this land of extraordinarily scenic beauty and hospitable people.

For here the standard of living is the highest in Europe, if not in the world, and social welfare the most advanced.

It is said by some that Sweden is only farther down the road the United States is traveling. So let's take a look at Sweden today, since it may be indicative of our own tomorrow.

It is a land of charming little shops where personal service accompanies the sale of flowers, fruit, tobacco, food and other things. But a third of such small businesses have disappeared in the past four years because of a sharp rise in wage costs, reached by agreement among employees and employers. Many of the rest are doomed to follow.

For Sweden has a planned economy and most of the planning is done or highly influenced by labor, the most powerful force in the nation. Neither in plans for the future nor in present practices is there room for inefficiency, even though eliminating it may involve eliminating also large parts of a trade or industry.

"Always some people suffer." That comment of a representative sums up labor's attitude toward the rights of the individual when they fail to coincide with labor's judgment of the needs of the nation.

But there are free band concerts on some days at noon in the huge park in the heart of the city. And the parading young girl mods are pleasingly spectacular in skirts as high as six inches above their knees. Strolling young man mods wear their hair shoulder length in waves that could not be natural.

• • •

This is the land where nearly one in seven of the entire population enjoys retirement with some degree of dignity on government-sponsored pensions and in city-sponsored rent-free homes. Yet some die without

Mr. Sypher, a lifelong journalist, is the former editor and publisher of NATION'S BUSINESS.

dignity because of an acute shortage of doctors and nurses.

It is the land where the whole social program is aimed at ease in old age, and yet the word "tragic" pops up in conversations in the Ministry of Social Affairs in discussing the severe shortage of facilities to care for the infirm old, even though Sweden has more hospital rooms than the United States in relation to population.

To a mother having a baby, even the taxi ride to the hospital is free, along with the medical and hospital expense. There's a bonus of \$200 for one baby, or \$320 for twins. If the mother is employed, she gets 80 per cent of her usual income for six months.

Here even a housewife may phone the appropriate government agency, report she has a cold and draw \$1.50 a day for compensation. And starting this year under a new wage and hour contract that continues an even steeper upswing to Sweden's startling rise in wage costs, a worker may draw 80 per cent of his normal pay after one day off the job because of illness. Some call it "hangover pay."

Is this all free? Here a man earning \$10,000 a year pays 50 per cent of it in income taxes—42 per cent if he's married. Out of what's left he pays 10 per cent sales tax on everything he buys, including food, and far more on such luxuries as tobacco or whisky.

For those who have been frugal or fortunate enough to accumulate a fortune, there's an annual fortune tax under which it is possible, though very unlikely, that income from investments could result in a cash loss.

Industry pays about two thirds of its income in taxes, including those imposed by local governments.

And an average six per cent rise in prices this year is, in effect, still another tax to cover the cost of higher wages and increased social benefits.

All of which explains why there is a quiet minority in Sweden which is opposed to present trends. It is a politically ineffective minority.

Much pride is evident in Sweden's labor peace, hardly interrupted in the past 20 years. Generally this is attributed to a civilized relationship between

TRENDS: RIGHT OR WRONG

employers and employees, based on mutual respect. Actually, beneath these generalities lies an extreme manpower shortage which has driven labor costs up between seven and eight per cent annually for more than 20 years.

This rise has caused, in turn, manufacturing and processing costs to rise to such high levels that clothing, other textiles and some other industries are experiencing cutbacks in the midst of prosperity because of increasing imports from lands where production costs are not so high.

This helped bring about Sweden's first serious foreign trade deficit in many years. It also helped cause the inflation that promises a financial crisis unless it is matched by inflation elsewhere in the world where Sweden trades.

Many businessmen express confidence that inflation will be matched, if not controlled. This year the threat of a general strike brought a new labor contract that will increase labor costs 8.4 per cent, 8.9 per cent and 7.4 per cent over the next three years.

To complete the other side of this spiral, the Social Democrat-dominated Parliament approved without a dissenting vote a vast and costly expansion of social benefits. Included are supplemental pensions that eventually will bring the income of retired persons up to 65 per cent of their best 15 year earnings average. The new program also provides for cost of living adjustments in pensions to offset the inflation—an indication of the growing political power of the pensioners.

• • •

Government officials often point out that Sweden has socialized the welfare of its people, but not its business. Also, they will tell you, that because of the extreme shortage of labor, money being spent for housing will be cut back next year and invested instead in the mechanization of industry to help Sweden compete in foreign markets. How can money be thus allocated in a free market? Influence, you are told.

The Swedish Savings Bank, largest in the country in the home mortgage field, is cited as an example of enterprise. A tour of its housing developments emphasizes that characteristic.

"First we encourage people to save for something—a home, or if they already have one, a summer home," explains Vice President Karl Tham. "That's much more effective than just advising people to save."

"Then we sponsor housing developments with builders who work exclusively with us. This controls the quality, and develops a market for home mortgages." The idea came from the United States, Mr. Tham says. He has developed it highly.

Is this free enterprise? A look at the Savings Bank's annual report shows it is governed by 48 trustees. Sixteen are elected by the Stockholm City Council, another eight by the Stockholm County Council and the rest by the body of trustees.

Both management and labor are highly organized

for the purpose of labor negotiations. Both sides have highly competent economic staffs. The impression is prevalent that contract development takes place on a highly informed basis. More practically, the most effective influence in more than 20 years on wage rates and working conditions has been Sweden's great prosperity. This has created a labor shortage that has given labor a seller's market and driven unemployment down to about one per cent.

Because of her neutrality during World War II Sweden entered the postwar period well prepared to meet at the marketplace the extremely urgent need of war torn Europe for steel, machinery, textiles and building materials. Thus her labor shortage became acute immediately all the way from ore production to finished products. This prosperity drew thousands of persons to the cities and caused the housing shortage that will not be met for years if the present prosperity continues. Today prospects wait 10 years or longer for a modern apartment in Stockholm, living meanwhile doubled up or without modern conveniences.

Because labor bargaining since World War II has been based on shortage, the price of labor has gone up.

This hardly can be attributed to successful bargaining by organized labor. Only about half the annual rise over a 20-year period has come through bargaining. The other half has occurred by what is called "drift," which covers job upgrading and raises paid voluntarily by employers over the negotiated rates. This year the labor organization succeeded in having "drift" included in future bargaining as a part of the going rates.

"Say not what the undertaking is able to pay," says Urs Hauser, a labor organization international representative, in commenting on wage rates that price firms out of business.

"Say instead what does the worker need? Otherwise labor subsidizes inefficient undertakings. In our view it is good for the country when undertakings go out of business because it frees labor and capital for greater needs. In the long run we improve the efficiency of the economy by the way we negotiate. The smaller retailer is dying. That is making it difficult in sparsely populated areas for people to do their shopping. Always some people suffer."

• • •

Others have different ideas about the effect of wages on Sweden's well-being.

"Constantly rising wage costs have caught up with us and Sweden would have been priced out of world-wide markets had not world-wide inflation taken place," observes Bertil Ohlin, a member of Parliament and speaker for the political opposition.

"Already profits are in deficit, counting five per cent on investment as a fair return, for the average is under that. Many Swedish businessmen are just handling money, not making it."

Ingvar Svennilson, professor of economics at Stockholm University and an adviser to the government, sums up his opinion of Sweden's position in world trade with these words:

"We can only hope that the rest of the world behaves as badly as we do."

The man who said,
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AMERICA'S POOR

The search for a miracle drug to cure poverty now occupies many of our best brains. There's no lack of proposed remedies offered by politicians, sociologists, educators, welfare workers—and businessmen.

But most debate centers on the federal government's multibillion-dollar spending on dozens of "anti-poverty" schemes.

In the four articles which follow, NATION'S BUSINESS takes a searching look at America's poor—and how they can best be helped.

"Should they have to work at all?" on page 34, examines proposals for a guaranteed income for all, with no questions asked.

The second article, "How unions are signing them up," on page 36, reports on a new and little-noticed development you will want to watch.

In "Where they can get jobs," on page 38, you'll see how job openings are being deliberately hidden from job hunters.

The traditional road to success—individual initiative—is stressed in the final article, on page 40, by Sam Levenson, who takes a wry look at "the good old days."

SHOULD THEY HAVE TO WORK AT ALL?

Outlook for a scheme to use tax money to provide a guaranteed income for the poor

Should America embark on a Golden Age of Welfare and offer the maximum panacea—the guaranteed annual income?

Does this proposal of freedom from work rank with such notions as free love or free beer?

Or is this a serious idea that may well become law?

Some economists and social workers suggest the time is now. And not a few influential people who have the ear of the President agree.

One thing is certain—a climate is being created in this country for some kind of program to guarantee a pay check for everybody below a certain income level regardless of ability or inclination to work.

The most popular notion for launching a guaranteed income is through the machinery of a negative, or reverse, income tax. This is a device whereby the government would pay direct cash subsidies to families whose income falls below a set "poverty line" level.

While the scheme has many supporters it has some detractors, too.

President Johnson has skirted the

subject except to say that today's welfare programs are inadequate to meet the needs of the poor. White House officials concede only that the idea is on a "back burner" possibly to be brought to the fore at some future date. Others say it's "a long way off."

But is it? Significantly the President's Council of Economic Advisers has urged that it be explored further. In its last annual report the Council observed that a guaranteed annual income could be administered on a universal basis for all the poor and would be the most direct approach to reducing poverty.

The Office of Economic Opportunity has been poring over various proposals for some time. At least one blueprint for achieving a guaranteed annual income, through some form of negative income tax, has captured the fancy of top planners in the agency.

Staff studies are under way at the Treasury Department. Already, the Presidential Commission on Technology, Automation and Economic Progress has come out for it flatly.

Some labor unions—notably Wal-

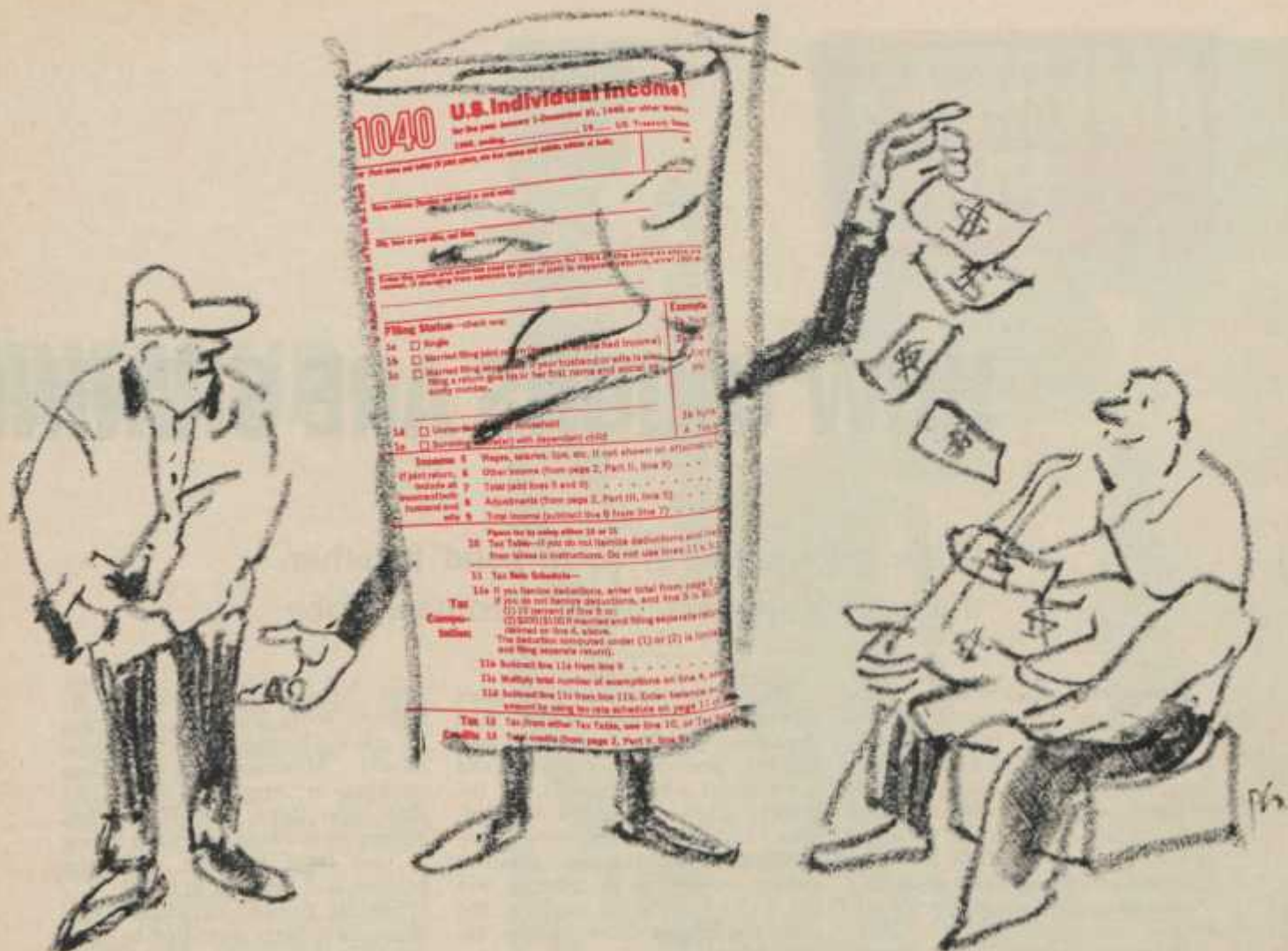
ter Reuther's United Auto Workers—are pushing hard for a guaranteed income. It has also been mentioned favorably in publications of both the National Industrial Conference Board and the Department of Labor.

Virtually all who embrace the idea stress one thing—that it be made available on a "dignified" basis as a matter of Constitutional or legal "right."

Of course, what they mean—and there is no hesitancy in their saying so—is abolition of the so-called means test now imposed on welfare beneficiaries.

The means test—used to measure need and determine welfare eligibility—is anathema to virtually all social workers, some welfare officials, most do-gooders, a handful of Congressmen and not a few of the economists calling for a guaranteed income. They seem to feel that asking anyone to take a means test to screen out cheats and malingerers is unjust to the vast majority who are really in need.

Welfare programs as they exist today have been under fire for some



time. The President insists they be vastly broadened. A special citizens committee appointed by the Department of Health, Education and Welfare went a step further and recommended they be implemented by a guaranteed income. Several pressure groups have organized to fight for these ends.

Public welfare at the federal, state and local level cost the taxpayers \$5.9 billion in fiscal 1965 and is still mounting. More than half this amount comes from the federal treasury. This covers direct payments for old-age assistance, aid for dependent children and help for the disabled. It does not include money spent to combat juvenile delinquency, or for children's welfare, aid to adoption agencies and a host of other services.

Liberals are pushing hardest for the guaranteed income. But there is not total unanimity. Two of Congress's most liberal Democrats—Sen. Paul Douglas of Illinois and Rep. Henry S. Reuss of Wisconsin—backed off sharply when approached on the idea. Each recoiled from the thought the government would ever

be asked to provide help to anyone and not insist they meet the "willingness to work" requirement.

While the means test continues to remain in full force public welfare sleuths all over the country find themselves operating in narrowing channels and under more and more restrictive directions from Washington.

Effective next July 1, for instance, state public assistance officials are on notice to alert their investigators not to engage in any practice which might constitute harassment or violate the privacy or "personal dignity" of welfare applicants.

Similarly, the Federal Welfare Administration has ordered changed from discretionary to mandatory the practice of relying on the welfare applicant as the primary source of information regarding his welfare needs. What this means, of course, is the investigator will be compelled to obtain required data from the applicant himself or from available public records. It will sharply curtail his interrogation of neighbors, grocers, merchants, friends or other sources that could turn up contra-

dictory evidence. The new federal order forbids state welfare agencies to take any steps "in the exploration of eligibility to which the applicant does not agree, including contact with collateral sources."

An end to the means test may be further along in some areas of the country than you might expect. In New York City, Welfare Commissioner Mitchell I. Ginsberg says he is anxious to do away with the "complicated" means test and attendant paper work. He would replace it with a simple, brief affidavit—in short, an honor system.

Ginsberg's proposal drew swift reaction from Rep. Paul A. Fino, (R-N.Y.), who promptly introduced a bill to shut off all federal relief monies to state or local jurisdictions which abandon the means test.

"To me, such a requirement is simple common sense, but I am aware that among certain groups, it is considered unkind to require welfare applicants to prove their eligibility," Rep. Fino says.

"The coddling of spongers, glorified in exotic sociological jargon (continued on page 68)

AMERICA'S POOR

HOW UNIONS ARE SIGNING

Labor organizers' drive to band together
the less fortunate actually eliminates jobs

Professional organizers for labor unions are on a vigorous campaign throughout the land to exploit what they consider a rising political force—the poor.

These organizers, who are used to badgering employees at the gates of factories and the front doors of business offices, are now appearing in places and roles vastly unfamiliar to them.

Hiding a past tendency toward racial discrimination, many union organizers are showing up in civil rights demonstrations, on the staffs of poverty programs, at church and charity benefits and as voting registration volunteers. Organizers are visiting workers in the beet farms of Colorado, the fruit groves of Wisconsin and the cotton fields of Texas. They mingle with the pogy fishermen in Louisiana and join the ranks of California grape pickers marching in protest along the dusty back roads of California.

Everywhere they push their message: Organize and let labor unions get more for you!

The unions aren't so interested anymore in shaking down the poor and "working poor" for dues; most union treasuries already are bulging with an embarrassment of tax-free funds. What union bosses want now are more votes. They see the one-man, one-vote decision of the U. S. Supreme Court as strengthening the political power of less productive people as never before.

Associate Editor WALTER WINGO, who wrote this article, specializes in labor-management affairs.

They believe unions will get more through government action than through equitable collective bargaining, provided lawmakers and government administrators are beholden to the unions for their offices. Unions are temporarily camouflaging long-standing rivalries among themselves in order to win the bigger battle of making the poor think that labor unions are their friends.

In a resolution passed at its last convention, the United Auto Workers emphasized its strategy this way:

"These joint organizational efforts among established unions within the total labor movement must assume the dimensions of an all-out organizational crusade, stimulated by the knowledge that organizing the millions of unorganized—in the cities, on the farm, among the migrant workers, in industry and commerce, in government—is a matter of highest priority and immediate urgency, transcending the more limited interests of any individual part of the labor movement."

"For this great task is inevitably related with the basic objectives of eliminating poverty by enabling the poverty-stricken to realize the benefits of unionization and collective bargaining and to add their voices and their organized strength to the building of a better society for everyone."

Union victory in the fields

The unions claim their first strong breakthrough came in June,

1964, when Labor Secretary W. Willard Wirtz launched a program to prevent foreign farm laborers—mostly Mexican *braceros*—from working in American fields. At that time there were 65,000 foreigners working on American farms. A year later, in June, 1965, the number had dropped to 2,200.

Special groups, including Bahamians, have been permitted to enter the United States for short harvest periods. But by last June, only 154 Japanese, who got special permission to help harvest the California date and strawberry crops, were in this country.

Unions have been unmoved as fields of unpicked fruits and vegetables rotted in the sun. Last year in the Salinas, Calif., area alone 14 million pounds of fruit were lost. Union leaders hailed the *bracero* restriction as a great step toward their aim of getting the poor to support their programs.

Now, they claimed, the 360,000 American migratory farm workers would be able, if organized, to demand sky-high wages in addition to their free board, lodging and other benefits. Should the demands be refused, they could walk off their jobs at harvest time and thus wipe out a year's profits for the farm owner.

Prof. James Tobin, formerly President Kennedy's economic adviser, pointed out recently: "People who lack the capacity to earn a decent living need to be helped, but they will not be helped by minimum wage laws, trade union wage pressures or other devices which seek to compel

THEM UP

employers to pay them more than their work is worth. The most likely outcome of such regulation is that the intended beneficiaries are not employed at all."

So it has been on American farms. Instead of buckling under to wage demands that would bankrupt them, owners of small farms have been consolidating with larger farms that are able to replace field hands with mechanical devices. During the past two years the number of American farms has declined by 194,000. The number in Colorado and New Mexico alone is falling by 2,000 a year.

After studying 63 new tomato-picking machines in 15 California counties, agricultural economist Philip S. Parsons, of the University of California at Davis, reported that automatic harvesters can pick a ton of tomatoes at an average cost of \$9.84 compared to more than \$17 for a good hand-picking crew. In some cases the tonnage cost of machine picking was as low as \$5.33.

Even worse for America's working poor is the fact that much of the country's fruit and vegetable industry is being re-established in other countries.

Over two million orange trees
(continued on page 50)

AFL-CIO leaders find in the fiery Cesar Chavez just what they need to bring farm workers into labor's fold. Chavez, in turn, was glad to get big labor's hefty financial aid.



AMERICA'S POOR

WHERE THEY CAN GET JOBS

You and other employers could fill virtually all job openings if federal policies changed

...average weekly wage received by a worker before he became jobless or a maximum 50 percent of the state's average weekly wage. The Administration's original bill, supported by

(Continued on Page 7)

Joblessness Still 3.9%, Mired at 8-Month Level

The nation's unemployment rate has been stuck at 3.9% for 8 months.

The bill contains provisions assuring non-discrimination in the selection of federal and state jobs, broadening federal laws

24 HELP, MEN

CLERK—For field office of large construction firm, to work in D.C. area; light typing, knowledge of 10 key adding machine helpful; hours 7:30-4, 5-day week. Call 222-4400 for appointment.

CLERK—Night Shift, \$12 per night, 40 hrs. week, with 40 transient rooms. Must be bet. 45-60 yrs. old, reliable, capable of learning operation of secretarial telephone switchboard. Hours: 11 p.m. to 7:30 a.m. 5 or 6 days a wk. Telephone FE 7-4408 for appointment.

CLERK-MESSANGER—We have a perm. position for a stock rm. clerk-messenger. Must be a high school grad., neat appearing, well-mannered person. Must have a valid driver's license with a clear record. Located near Broadcast House and Sears on W. ave. nw, 5-day, 40-hr. week and many employee benefits. Call EM 7-8800, Ext. 272, for appointment. Apply Chef, Lafayette Hotel.

COOK—All around, Refs., res. Sal. \$90, 2 p.m.-11 p.m. Fringe benefits. Apply Shirlington Delicatessen, 4015 So. 29th St. Arl., Va. 22202.

COOK—2nd. Live in. Good standing. Salary, room & board.

24 HELP, MEN

DEBIT MAN—Position open, Germantown, Kensington, Gaithersburg, Gaithersburg, Md. Refs. Call 222-4400 for appointment.

DELIVERY MAN—for liquor store, 1425 Penna. ave. NW. Refs. Call 222-4400 for appointment.

DELIVERY MAN—35 yrs. or older, w/va. lic. & good driving back-ward. Starting \$78. DATA INC., 4530 Lee Hwy., Arl., Va. 22204. Apply 1274 5th St. NE.

DELIVERY, PLANT MAN—50-day week. Must have driver's license. Apply 1274 5th St. NE.

DISHWASHER—Hotel & rest. ex-perience. Excel. working cond. & salary. Apply Arl. DeLans, George Mason Hotel, 128 So. Wash. St., Arl., Va.

DISHWASHERS—Over 21. Apply to person, Mon.-Fri. 9-11 a.m. and 3-5 p.m. Sparan Silver Spring Motor Inn, 8727 Coleville Rd., Silver Spring.

24 HELP, MEN

LABORERS—Land clearance & general development. \$1.05 hr. Call 222-4400 for appointment.

LABORERS—Report to job, 1000 Blk. Walker Mill Rd. NW, District 1, Arl., Md. Dir. Addition rd. near water. 1000 rd. is mile to job on road.

LABORERS—Report ready for 7:30 a.m. Maryland Farms Assn., 11286 Cherry Hill Rd. Beltsville. Contact: City Garage 3715 W. ave. Arl. 22202, 1st. Wed.

LABORERS—For masonry work. Heather Hill Elem. Sch., Belair. Phone, RI 4-35 & 187. Call 778-6800.

LABORERS—Immud. opening w/Ar. Govt. Temporary jobs w/very permanent employment, based on performance. 5-day work wk., very start. Positions req. good physical cond. & ability to do manual labor. Air. Wagner, Personnel Dept. 2211 Arlington, Va. Courthouse. Mon.-Aug. 13, 2 p.m. or Wed. day, Aug. 12, 1 p.m. or Wed. 7:40.

DRIVERS

DRIVERS & HELP

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...cent early in 1980.

We could virtually eliminate unemployment in America.

But politicians and union leaders are keeping the unemployed from filling hundreds of thousands of jobs which you and other employers have open.

The policies of this political-union coalition, in fact, have helped create a costly new leisure class of nonworkers.

The federal government, in statutes and statistics, focuses its concern on the nation's unemployed. But repeatedly over many years, Washington policy makers have shunted aside the idea of gathering data concerning job vacancies.

The whole issue is especially important today when jobs of all kinds are going begging all over the country. Instead of launching a massive program to collect, analyze and make available to the unemployed information on job openings, organized labor and some Administration officials still wring their hands over the "millions of unemployed" who can't find jobs and who must be supported with anti-poverty subsidies.

Certainly there are many unfortunate persons in America today who have no job skills or education and are discouraged and handicapped. However, many Americans are jobless not only because they don't know what jobs are open but because they have heard over and over again from their government that they are among the unemployed, the "disadvantaged." They feel permanently assigned to that tragic leisure class.

Once a month the Bureau of Labor Statistics holds a press conference at which it releases data on employment and unemployment. No data concerning job vacancies are released.

The AFL-CIO doesn't want any mention of job openings and apparently neither does the Democratic leadership in Washington.

To examine this large and almost unbelievable situation, you have to step back for a full view.

It's well-known that most Americans, even unskilled unemployed, in large numbers have declined to accept stoop-labor jobs in agriculture.

Much more complicated is voluntary joblessness in the nonfarm area of the work force. How many jobs stand open today? We cannot be sure. The U. S. Employment Service admits there are 1.3 million openings, and says that this figure is about 30 per cent of the total. Private job-finding agencies would

add many more to the list of vacancies, and still more openings are not listed at all. Congressman Tom Curtis of Missouri, who has studied the subject, estimates that whenever there are 3 million unemployed in the U. S., there are probably 3.5 million jobs that could more than absorb the unemployed.

No knowledgeable economist would pretend that there is a job vacancy for every potential job applicant. But a favorable job market does exist.

So does the opportunity for all but eliminating the specter of unemployment in America, along with the fears and accusations that free enterprise doesn't provide enough livelihoods.

Our national policy, in good times and bad, is to have a full employment economy. In 1956, which was a good time, Chairman Arthur Burns of the Council of Economic Advisers urged the Bureau of Labor Statistics to find out whether companies kept records on their job needs. The Labor Department was immediately aware of hostility from the AFL-CIO and the United Auto Workers, which want all attention placed on unemployment, not job opportunities. The Department did not extend the inquiry.

But President Kennedy in 1961 was curious enough to appoint a committee under Professor Robert A. Gordon of the University of California to look into the feasibility of open-job statistics. Gordon reported back a year later that the demand for such data was "frequently voiced" and indicated that valid information could be obtained.

But the foot-dragging continued under Labor Secretary Goldberg, formerly a labor union attorney. In fiscal 1963-64, the Labor Department contented itself with studying only foreign experiences in the collection of job vacancy data. Amid this atmosphere of official do-nothing, in June, 1964, the National Industrial Conference Board obtained a Ford Foundation grant and went to work on a survey of Monroe County (Rochester), N. Y. Pressed by this solo example, Secretary Wirtz, in August, ordered his long-delayed troops into action.

The NICB sampling covered 400 employers in the period of February to August, 1965, and produced some arresting results. The job-vacancy rate at three per cent was higher than the unemployment rate at 2.7 per cent, and 8,000 jobs were open.

Over half were open to persons with no related work experience,

though 12 years of schooling was desirable. From 36 to 45 per cent of the jobs, however, were available to persons without a high school diploma, and from 16 to 22 per cent did not require either the diploma or experience. Astonishingly, 27 per cent had been open for three months and 12 per cent for six months.

Moreover, the public response to this sort of probing was highly affirmative.

One third of the companies felt the information was directly useful to them; 72 per cent felt it was valuable to the community. And the community, through its schools and other civic organizations, "stated emphatically" that job vacancy data would help carry out the local programs, the report found.

What about the opposition? Congressman Curtis, who has been pushing the project for years, says that it has been balked by two closely related vested interests. One is a combination of labor bosses and urban political bosses. The other is a hard-core liberal "experiment" group who believe that government action is the only means of assuring full employment.

The labor bosses like to keep public attention focused on unemployment figures. Any notion that jobs are lying around loose would be bad for their membership drives, and might force the craft unions to instigate more apprenticeship programs. The political bosses need the federal welfare programs for the unemployed as a form of patronage.

The liberal intellectuals, typified by Americans for Democratic Action, are the expansionists. They argue that unemployment should be attacked by continuously raising the federal investment, so that it will create more money and more demand for goods and services. The expansionists regard inflation as a necessary evil in job-making. They are opposed by those who favor painstaking and continuous research to find where the economy is hurting and to apply an appropriate remedy.

Rep. Curtis puts Walter Reuther, Secretary Wirtz and R. Sargent Shriver, the poverty war czar, in the expansionist category. He charges: "They don't really want to succeed at job-finding because it would kill all their arguments. Shriver and company have been no help at all in trying to find where the jobs are. If they'd analyze the situation that exists today, they'd see that it's impossible to conduct

(continued on page 104)

Sam Levenson recalls: When it was a "privilege"

He thought bed and board were the same thing, and he didn't know meatballs were supposed to contain meat

I was raised as a virtually free American in East Harlem, a section of New York that was called a slum by sight-seeing guides and a depressed area by sociologists. Both were right.

Our neighborhood fulfilled all the sordid requirements with honors. We were unquestionably above average in squalid tenements, putrid poolrooms, stenchy saloons, cold flats, hot roofs, dirty streets and flying garbage.

Yet, paradoxically, I never felt depressed or deprived. My environment was miserable; I was not.

I was a most fortunate child. Ours was a home rich enough in family harmony and love to immunize eight kids against the potentially toxic effects of the environment beyond our door.

Since the social scientists do not, as far as I know, have a clinical name for the fortunate possessors of this kind of emotional security, I might suggest they label them "the privileged poor." Poverty never suc-

ceeded in degrading our family. We were independently poor.

Mama and Papa were the leaders of this band of freedom fighters consisting of seven sons and one daughter, whose homemade weapons were hard work, family pride and, above all, faith in education as the major weapon of our liberation movement.

Those were not the "good old days," but there were more victories than defeats, and each small victory was cause for a large celebration around the dinner table at the end of the day.

We became superb actors in an unfinished tragicomedy called "The Battle Against Poverty." We tried by every device we could contrive to outwit the enemy.

It was also possible—and this is not unusual among poor children—that I went on my merry way being merry simply because I did not know any better.

I had no idea, for instance, that I was entitled to a bed of my own. It was obvious even to an ordinary kid like me that the more kids you slept with the more fun you had in bed. I figured that was what they meant by "bedlam." I didn't know that beds were supposed to be soft. To me "bed and board" meant one and the same thing.

I didn't know that a long narrow

street was not an ideal baseball diamond.

I was so busy playing I didn't have time to check the measurements.

I didn't know there were good cuts of meat and bad. Our menu at mealtime offered two choices—take it or leave it—an approach that seemed to stimulate our appetites.

Most meat came to our table in the form of meatballs. (I had an idea that cows laid meatballs the way chickens lay eggs.) I didn't know that meatballs were supposed to contain meat. To this day I don't like the taste of meatballs made of meat. They just don't taste like Mama's.

I didn't know we were supposed to eat fresh bread. Mama said it would give us a bellyache; stale bread was much better for us. She believed so strongly in the stale-bread theory that she even learned to bake day-old bread.

Our block had about 20 tenements; each building about 30 families (not counting sleep-in strangers); each family about 5.6 children (not counting stowaways) by government census—if the census taker could halt the increase long enough to write down the number.

There are towns in the United States with smaller populations

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PHOTO: WERNER WOLFF—BLACK STAR

As a slum kid, Sam Levenson hadn't time to feel deprived; he was too busy waging his war against poverty.

which have a post office of their own. Yet I never felt crowded in or crowded out.

My neighbors never appeared as a crowd to me.

I didn't know I needed some quiet place where I could do my homework. My brothers used to sit around the dining-room table in the evening doing homework en masse, noisily, bothering each other, correcting, helping. They didn't know they were doing it all wrong. Tough luck! It's too late to rectify it now that they are educated and doing nicely.

I didn't know mothers were supposed to use psychology on children. I knew they used whatever was immediately available, like shaving strops, wooden ladles, or the ever ready palm of the hand which wise Mother Nature had shaped to fit perfectly over the rear end of a kid.

I didn't know that fathers were not supposed to hit kids if they were bad. Most fathers hit kids—anybody's.

The kid whose father didn't hit him felt that his father either wasn't interested in him or wasn't his real father.

Come to think of it, the only perfect kid I ever heard of was my father when he was a kid.

I didn't know I had to feel like doing my homework, practicing the violin, washing dishes or running errands. I just had to do it because everyone had to do things he really didn't feel like doing—even big people.

I had a strong suspicion my father didn't feel like working 12 hours a day in a sweatshop.

I learned from experience that if there was something lacking it might turn up if I went after it, saved up for it, worked for it, but never if I just waited for it.

Of course, you had to be lucky, too, but I discovered that the more I hustled the luckier I seemed to get.

As an additional safeguard against self-pity in our home, Mama kept several charity boxes marked "For the Poor." We gave to the poor regularly. It made us feel rich.

Lest all this appear as a defense of the notion that ignorance is bliss, I'd like to tell you what I did know. I knew that there were things I wanted badly, things I would ask for.

Mama's answer to such requests usually came in two words: "Not now." (Later we came to refer to this approach as Mama's theory of postponement of pleasure.)

First things first. First came the

absolute necessities like books. Skates, sleds and bicycles would have to wait. I know Mama didn't enjoy denying us the joys of childhood.

She had to, in the interest of our adulthood. "You'll have to do without today if you want a tomorrow with."

As the children of immigrants, my brothers were aware of the fact that they represented the "undesirables," the "foreigners," as others had been "undesirables" in previous decades. They realized, too, that the only way to rise above undesirability was not merely to become desirable, but to become indispensable.

This would require equal amounts of education and sacrifice. They filled every hour not devoted to study with part-time jobs as truant officers, book salesmen, teachers of English to foreigners—wearing out their eyes, their pants and their books, drinking black coffee to stay awake, postponing marriage, sharing clothes, colds, money and dreams.

They defined freedom as the opportunity to change the circumstances of your life through your own effort, to force the hand of history rather than to remain forever enslaved by it. **END**

ON THE DRAWING BOARD— A NEW AMERICA

Within 10 years, American industry will be stretching the art of the possible from the bottom of the sea to the surface of the moon.

On all fronts, change is gathering momentum—change that will deeply influence the way you will live, work and spend your leisure time.

Some call it a quality revolution, a striving for excellence reflecting a rising public demand for such sweeping improvements in environment as to force greater control over the works of man and mastery of nature.

Whatever the term, we are entering a time of:

- Greater bigness and complexity in planning and problem-solving.
- Heightened competition among materials, sources of energy, processes, design and construction systems.
- Scarcity of traditional resources—ranging from raw land to skilled man power.

This is the composite view of an exciting period just ahead—through 1975—seen through the eyes of an intensely practical group of consulting engineers who, like advisers within many a large corporation, influence decision-makers to commit perhaps millions of dollars on one of a bewildering array of alternative courses of action.

Increasingly their work goes beyond narrow technical questions. In fact, the best choice may lie among technological processes long known but merely awaiting the critical convergence of political, economic and social forces to warrant their introduction.

So what they're thinking, and

advising clients in business and government, offers useful insights into changes to be expected as we enter the last quarter of the Twentieth Century.

Their professional group, the Consulting Engineers Council (CEC), surveyed its members recently at the request of NATION'S BUSINESS on trends in the following areas:

- Automation and industrial modernization.
- Urban planning and redevelopment.
- Water supply and water and air pollution.
- Communications and data processing.
- Transportation and traffic.
- Power generation and distribution.
- Food and fiber processing.
- Building design and construction.
- Recreation and leisure.

There were significant areas of agreement as well as provocative disagreement among their replies. Even more interestingly, their views as a whole focus sharply on the critical relationship between apparently separate problems. Solution to one could profoundly influence another, transforming an entire industry in the process.

What would be the effect on the booming coal business in mine-mouth electric generation and the trend toward nuclear fuels, for example, if the nation's water needs require mammoth diversion of water across the continent, requiring great dams suitable for hydroelectric power production?

Only the most hardheaded application of the latest analytical and forecasting tools, tied to the

computer, could give an answer.

Lee E. Ham, president of Wilsey, Ham and Blair of San Mateo, Calif., set the stage for a topic-by-topic analysis of emerging trends by observing:

"The major development in our field—affecting all the questions listed—is the public's growing concern with the conservation of our environment. The public is better informed, better educated, more responsive to conservationist and esthetic concepts," while better able to bear the costs.

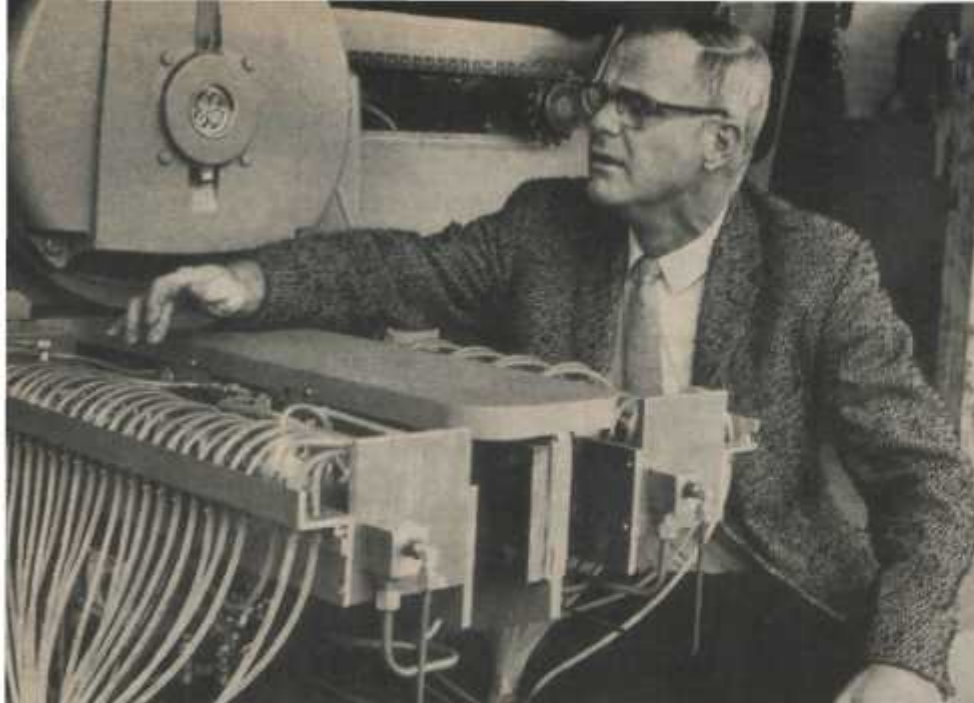
"The engineer, therefore, can't live and work in a vacuum. Today—and even more so, tomorrow—the engineer has figuratively to be ecologist, sociologist, artist, political scientist and economist to provide the blueprints for our evolving society.

Such thinking is strongly reflected in predictions about automation and modernization, which most agree will continue at an accelerating pace—though there's some disagreement as to where and how much.

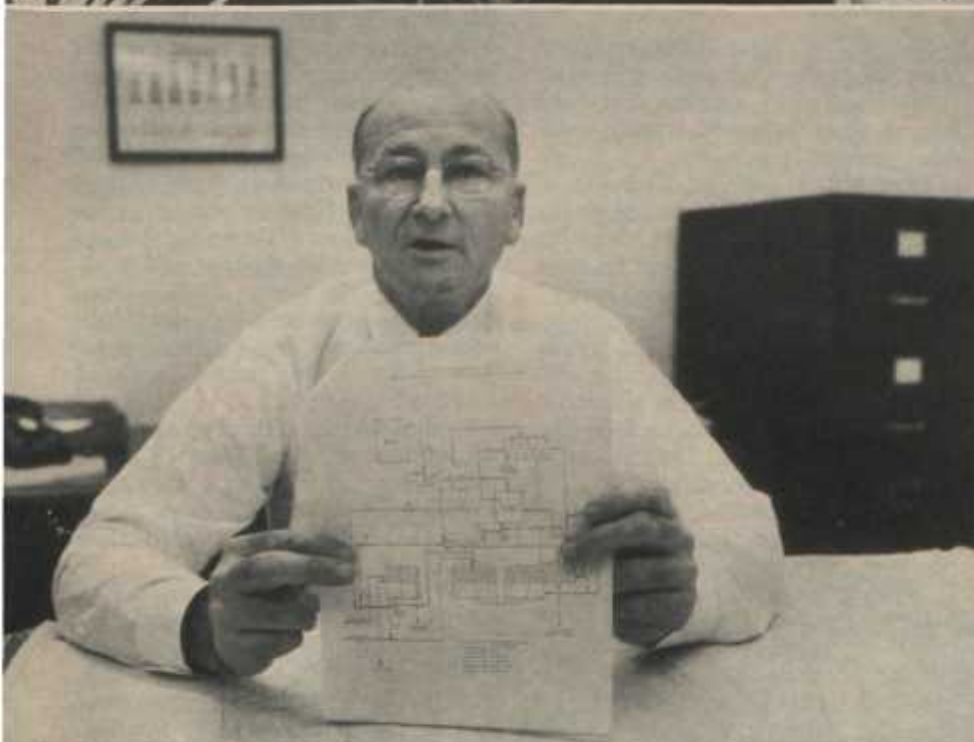
"Automation and industrial modernization in the next decade will amount to a multi-million-dollar program," predicts David S. Benham of Benham-Blair & Associates, Oklahoma City, Okla., "because of at least three influences: Electronic technology, rising labor costs and public demands [for] industrial air and water pollution control."

What kind of jobs will disappear? Some say mere repetitive operations; others, the entire blue-collar work force, substituting jobs with better pay, higher status and less exertion.

Says a spokesman for Sverdrup



Thomas R. Miles of Portland, Ore., foresees major increase in use of fluidics as controls in production processes. Air forced through a combination of complex paths serves as a switching system comparable with transistors. Advantages: Economy, absence of sparks.



George Switzer, manager, Gilbert Associates' utilities division, describes a unique coupling of flash evaporation and vapor compression in the desalting of water. Approach offers promise in regions of the world where water is in short supply but generation of power is no requirement.



S. H. Bingham, New York, transportation authority, says any high-speed railway of less performance than 225 miles per hour would be outmoded. He has designed a system to overcome problems involving braking, trackage stability and aerodynamic drag effect.

ON DRAWING BOARD -AMERICA continued

& Parcel, Inc. of St. Louis, Mo., "We expect to see the practical elimination of any new multistory industrial facilities [with] sophisticated automated equipment operating on a two- or three-shift basis."

Forecasts Stanley J. Klein of Stanley J. Klein Associates, Inc., Rochester, N. Y.: "Greater use of numerically controlled machine tools to minimize the direct labor content of production costs, resulting in greater demand for engineering-oriented technicians to service such equipment; emphasis on simplified setup and operation, reducing skill requirements in these areas."

Partial dissent comes from TAB Engineering of Chicago, Ill., whose experts argue that "because of heavy capital investments required, only the large companies will be in a position to take advantage of these machines to a significant extent."

TAB feels that the average American manufacturer will lag some 20 years behind known technology.

Yet the firm foresees major advancements in machining methods—plasma torch, chemical machining and the laser—in wide use within 10 years.

Provocatively, the TAB team assigned to handle the NATION'S BUSINESS-CEC inquiry adds: "New products will more and more be developed with an eye to their methods of manufacture (automation) as compared to the past major—and sometimes sole—attention to their end use."

Swift modernization of the steel and aluminum industries is forecast by specialists in the field of these metals.

They emphasize that basic oxygen and continuous casting processes, now involving only a fraction of the industry, should cover the major portion of production by 1975, if not sooner.

A. J. Mosso, president of Auburn and Associates, Pittsburgh, Pa., adds that by 1975, along with new strides in automation, "electric induction heating methods will replace much of the present gas and oil-fired furnaces."

"New horizons such as integrated facilities for the exclusive manufacture of wire rods are opening for the entire steel industry," comments Roger Hall, supervisor of

marketing services, Gilbert Associates, Reading, Pa.

Urban planning, redevelopment

In the urban field, some predictions appear contradictory, suggesting that various trends will develop simultaneously:

- Planning and redevelopment will occur on a regional basis.
- Development of satellite communities and redevelopment of the downtown urban core will proceed simultaneously.
- There will be greater stress on rehabilitation of decaying urban areas rather than replacement.
- Replacement, where undertaken, will include far more than areas of severest blight.
- Redevelopment will attract far more private capital than in the past.
- Scarcity of land, creating pressure for redevelopment, will spur more high-rise construction and use of what formerly were considered marginal lands.

Observes James N. DeSerio of Buffalo, N. Y.: "Urban planning and redevelopment of decaying areas must be planned on an area basis rather than on a local basis."

Redevelopment must continue, adds Charles H. Zurheide, president, Zurheide-Herrmann, Inc., St. Louis, Mo., "not only to eliminate the slums but also to replace the obsolescent jungles, which were created by the speculator."

Noting the trend toward prefabrication in construction, E. A. Stratton, vice president, Frederic R. Harris, Inc., New York, N. Y., believes this will promote rehabilitation of blighted areas:

"We believe that these approaches will be broadened, and that the building industry will be challenged to provide the research and ideas necessary to make rehabilitation a more effective tool to arrest decay in structures through modernization rather than clearance and total rebuilding."

Among many predicting greater infusion of private capital, Mr. Free of Leo A. Daly Co., Omaha, Nebr., declares "the people recognize that decaying areas are a blight on the entire city and therefore a degradation of personal environment."

As to the impact of engineering advances on urban planning, James A. Evans of Birmingham, Ala., notes a "distinct trend" towards centralization of heating and cooling equipment, an extension of the centralized boiler plant system long in use.

Mr. Evans says: "It would not be

surprising to find, especially in highly industrialized urban areas, that steam and chilled water may become classified as 'public utilities' in the near future."

The scramble for land will place greater reliance on the soil scientist and foundation engineer. Joseph S. Ward of Caldwell, N. J., flatly predicts: "Large-scale reclamation of marsh land or other formerly unsuitable marginal lands."

Several state that their own offices are undertaking far more design of recreational facilities.

Water supply, air pollution

Most consulting engineers agree that tough laws governing air and water pollution are inevitable, as are public demands for reliable water supplies. But they split over the form the solutions will take.

Some see major breakthroughs in desalinization techniques; others see mammoth diversion of water from areas of vast surplus to areas of scarcity. Either would represent a staggering transportation feat.

David S. Benham observes in this connection: "Technical breakthroughs in the design and construction of water conveyance structures, such as single-pass tunneling machines and extruded pipelines, will make (such) projects feasible."

And several predict greater impoundment of water through giant river-basin authorities, providing supplies for everything from recreation to maintained stream flow during dry periods.

"Water supply, as it relates to drought, will be brought partially under control by synchronous, stationary weather controlling satellites," says Philip M. Hampton of Johnson and Anderson, Pontiac, Mich. "This science will be experimental by that time (1975) but will be operational on a wide scale by 1985 with some degree of reliability."

The need for such programs, of course, will depend in large part on success in reuse of water—stressed by many respondents—either through elimination of pollution at its source or by advanced treatment methods.

Innovations predicted range from treatment units that permit recirculation of water within a building—or even a plumbing fixture—to abandonment of water as a sewage carrier in favor of a "dry packaged" operation.

One sanitary engineer, Joe Williamson, Jr., St. Louis, Mo., predicts more pre-engineered, pack-

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ON DRAWING BOARD -AMERICA *continued*

aged, factory-built sewage and water treatment facilities "practically unlimited in size."

He also predicts expanded use of oxidation ponds for sewage treatment, using action of algae and sunlight, "to such an extent that size may be so drastically reduced (by perhaps artificial, high-rate aeration) that such facilities could be constructed under a plastic bubble in the center of any metropolitan area."

Forecasts of measures to eliminate air pollution range from treatment methods to abandonment of fossil fuels and such innovations as cars, buses and trucks powered by electric fuel cells in congested metropolitan areas and recirculation of cleansed air within buildings.

Others mention such developments as the hydrostatic filter, industrial processes limiting discharge of pollutants, new heat-transfer and "air scrubbing" techniques.

Communications, data processing

"Technical advances in the communications field should transcend the achievements in any other single industry," declares one respondent.

"Even at this moment, a copying machine and system has been developed which will make copies in remote locations. Color television will become the standard and both size and weight will be reduced. Electronic equipment will be vastly improved and almost unbelievable strides will be made in the further miniaturization and reliability of this equipment."

Foresees Stanley Klein, Rochester, N. Y.: "Greater use of computerized data processing services for all phases of manufacturing from design through sales, especially by smaller companies who will avail themselves of contract services."

Several others predict establishment of central data banks with access gained through remote input-output facilities; greater use of automatic controls for environmental factors like air-conditioning; lowered costs through tightly programmed maintenance; computers reduced in cost and size available to the smallest office.

Many see data processing replacing much routine human activity in design work, with structures and specifications represented by

machine-generated codes rather than visual drawings.

Management of complex construction projects and planning programs by such sophisticated techniques as Performance Evaluation and Review Technique (PERT) and Critical Path Method (CPM) should benefit as well from improved data processing.

Noting that many areas of industry have yet to introduce these management tools, J. A. Hayes, Reno, Nev., comments: "The rapid communication of project information required by [both] seems to be the weakest link in the chain of control."

More on the communications side, some see a shift to radio for individual voice communications. One flatly states: "Data processing will utilize over 50 per cent of all communications circuits by 1975, since machines can communicate 20,000 times faster than humans."

Transportation

There's wide agreement that:

- Most cities will have urban rapid transit planned or constructed by 1975.
- High-speed, intercity rail transport is coming.
- Supersonic transports will be well in operation.
- Airports and access to them are due for overhaul.
- More vertical- and short-take-off aircraft will be introduced.
- The new federal highway system will be launched.
- Automobile traffic will be more controlled.

Michael Baker, Jr., Rochester, Pa., among many predicting mass transit growth—coordinated with comprehensive urban planning—notes in this connection:

"I expect . . . that the development of economically feasible vertical rise air transportation systems will assist in some degree to alleviate rapid transit and mass transit problems in our major metropolitan areas, though this certainly would have to be coordinated by local, state and government agencies with all other modes of transportation."

Frederic R. Harris, Inc., adds that "demonstration projects now under way or planned will cause the development of hybrid systems of transportation that combine the best features of those modes commonly in use today."

In a similar vein, Sverdrup & Parcel predicts that automobile manufacturers will be experimenting with "personnel mobile capsules," small and light, noiseless,

odorless and pollution free, "capable of running on a track without control but having manual override."

One authority on rail transport, Col. S. H. Bingham of New York, N. Y., predicts high-speed passenger and freight service in corridors such as Washington to Boston.

"The current concept that train speeds of 160 miles per hour are in the high-speed category will be replaced by the concept that any train speed under 225 miles per hour is outmoded and unjustifiable."

Col. Bingham points out that a system is available to overcome the major problems of track stability, aerodynamic drag and braking.

Development of smaller, close-in airports using V/TOL and S/TOL craft is predicted to result from two forces: Competition for open land and a revolt of passengers who breeze into town at supersonic speeds only to get bogged down in surface traffic. The same goes for airport modernization.

Power generation, distribution

No question generated such disagreement as did energy—hydro vs. nuclear vs. coal; electric interties inevitable vs. unreliable; oil vs. gas vs. electricity; utilities vs. on-site generation.

Michael Baker sees reversion to coal; Miner and Miner, Greeley, Colo., sees nuclear fuel steadily becoming more competitive and other sources obsolete; dissents Ned P. Clyde of Woodward-Clyde-Sherard & Associates, Los Angeles.

"The development of power plants, primarily hydroelectric, and their necessary distribution systems will be a natural companion to . . . giant, multistate or multinational projects for transportation of water from the source to the location of heavy demands."

Several others, however, predicting that power demands will continue to double every 10 years, foresee expansion of generation from all known sources to meet the demand, suggesting that developments in any one region would depend on economic factors at a given time.

There was great unanimity that the "total energy concept" for heating, cooling, lighting, power for individual installations will become a stronger trend.

But there was dispute as to the power source.

This trend, in turn, is predicted to increase the adoption of on-site

continued on page 74

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BUSINESS: A LOOK AHEAD

The quay's the thing

(Construction)

Easier money?

(Credit and finance)

Subsonic boom

(Transportation)

AGRICULTURE

A 10 per cent increase in per acre wheat yield?

Massive expansion of productivity may result from experiments now under way in development of hybrid varieties of all types of wheat.

Field trials under actual farming conditions are in progress in 10 states, the goal being higher grain yield plus such side benefits as increased resistance to disease.

Dr. L. P. Reitz, who heads wheat experiments for Agriculture Department's research service, says recent progress in plant genetics has perfected techniques for hybrid development.

Steps include preventing wheat strain from self-fertilization while keeping it fertile for cross pollination with another strain. Idea is to develop strains combining best characteristics of both "parent" strains.

Hybrid wheat is already a reality. But years of testing—perhaps four more—will be needed to estimate costs of seed production against rate of increased yield.

"And I'm sticking my neck out to say by 1970," adds Dr. Reitz.

CONSTRUCTION

The quay's the thing in new residential construction.

And swimming pools, artificial lakes and space for all forms of

leisure-time recreation and relaxation.

Experts who review projects for major builders, staff of the Urban Land Institute, report that more and more recreational facilities and open space are being designed into projects ranging from apartment complexes to new towns.

"There's quite a trend," notes Ross McKeever, ULI's associate executive director.

Examples include Joppatowne, on a Chesapeake Bay estuary near Baltimore, a "marine-oriented" community ranging from \$82-per-month apartments to \$55,000 homes, boasting marinas, bathing beaches, canals and lagoons along with conventional recreational facilities.

Now housing some 6,000 people, it's planned to accommodate 20,000 when completed in three or four years.

"On the West Coast," he adds, "anybody who has a waterfront is capitalizing on it as a development feature."

Inland, moreover, new communities like Reston in Virginia and Columbia in Maryland stress extensive development of man-made lakes reflecting nationwide interest in water as part of the everyday environment.

CREDIT & FINANCE

Tighter money and easier money. Two contradictory trends to watch as

the nation enters the traditional fall period of high credit demand.

Tighter lending policies by banks, which have been continuing to lend faster than they acquire deposits, selling securities they can best afford to part with in order to make new loans.

"It just may be that we're at the brink of a real tightening up," comments one Washington banking authority.

Same source, however, sees some slight easing of the mortgage market, particularly savings and loans. His reasoning: With money short, we've had a massive tightening up on mortgages—big shock effect—overdone in some cases, beyond actual market conditions.

"This doesn't mean that the mortgage market is going to be easy," he tells NATION'S BUSINESS. "It's just that it's been impossible for the last couple of months."

FOREIGN TRADE

Helping the world feed itself promises long-term strength in exports.

Common Market's agricultural policy, of course, threatens to reduce booming grain shipments to 70 per cent of current total.

However, shipments of manufactured fertilizer are rising and expected to continue. Total for first half of this year hit \$94 million, a 40 per cent increase over similar period for 1965. Even though this reflected effects of the dock strike, this year's total figure should surpass the 12 per cent increase registered in 1965 over 1964.

Big expansion investment by chemical firms, partly in fertilizers, indicates business confidence in continuing upward trend.

MANUFACTURING

There's some comfort in those rising accident figures.

The Labor Department reports a gradual upward creep in disabling accidents in manufacturing—11.8 per million man-hours worked in



*Water gets greater emphasis in community design.
(See Construction)*

1961 to 12.9 in the first quarter of this year.

"It well could have gone higher," says one government expert. "We have not had a dramatic rise." And that's the point.

Some safety men had been predicting such a rise as the nation has neared full employment—more overtime, new hires, some promotion of inexperienced supervisors.

Though no comparable figures are available, it's estimated that today's statistic would compare with some 20 accidents per million man-hours during World War II.

There have been some decreases running against the trend—and holding down the total. Sugar refining, for one, has dropped below the national average for the first time in years, and now stands at 11.5.

Logging and sawmill operations have dropped to 50 from much higher totals. There's speculation that safety techniques in log-handling—including transport of heavy logs by cable or dirigible in the Pacific Northwest—may account for the progress.

MARKETING

Automatic data processing will show up more and more in retailing.

Already, 120-store chain in five states uses computers to control ordering and distribution process involving some 10,000 staple items. Individual store official fills in boxes on order form resembling multiple-choice test sheet. Optical scanner at headquarters converts data into punch cards for computer which produces order.

International Business Machines has successfully tested a scanner that can read handwritten numerals recording sales transactions for transfer to computer, eliminating manual step.

Machines now on market, though, read only printed numerals or special pencil marks. Understandably refusing to discuss hardware in the works, IBM spokesman comments: "That gives you some idea of what might be coming along in the future."

NATURAL RESOURCES

Recreation has its own ways of stirring up turmoil.

Leisure-time facilities create demand for what's fast becoming recognized as a resource—land. But that's only a piece of the problem, says Marion Clawson of Resources for the Future, Inc.

Much land—notably sites with rugged terrain—that is unsuitable for commercial, industrial or residential use can easily be transformed into a park or other recreational area.

But forthcoming study of impact of urbanization on agricultural land pinpoints another element of competition among land uses that hits close to home—transportation.

With urbanites fleeing to outlying recreational areas or to increasing number of farms transformed into summer retreats, need for road right-of-way—of capacity to meet peak demand—will soar.

"Look at the turmoil this creates," remarks Mr. Clawson. Roads take up comparatively little land but carry a "turmoil cost of land-use changes" in disruption of schools, neighborhoods and trade centers.

TRANSPORTATION

Newer planes will bring air freight closer to home.

Existing jet freighter fleet, plus pistons, have made hub cities of Boston, Chicago, Los Angeles and other major cities across the nation.

Quick-change type, smaller-capacity craft capable of swift conversion from passenger to freight service promises to increase coverage to cities like Memphis and Indianapolis, according to Air Transport Assn.

Economics making jet freight service feasible requires back-haul, either freight two ways or freight one way, passengers the other.

ATA experts expect new distribution patterns in cities newly served by smaller air freighters—consolidation of shipments from several manufacturers to take advantage of bulk rates.

Also predicted are two parallel developments: installation of extensive freight-handling facilities, plus truck-to-planeside operations.

Scope of trend is indicated by planes now on order for delivery by 1970. Of 126 freighters, 59, or nearly half, will be of quick-change variety in capacity range of 40,000 pounds.

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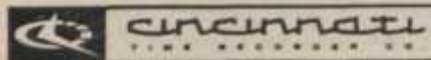
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UNIONS ARE SIGNING THEM UP

continued from page 37

have been planted in Sierra Leone, Mexico. At maturity these trees will equal the entire Valencia orange production of Arizona and California. Most of the increased foreign production is aimed at U. S. markets.

David Gross, research director of the J. M. Smucker Co., the nation's largest independent producer of jellies and preserves, says his firm is now testing apricots from Australia and South America. Other jelly makers are buying concentrated blackberry, currant and apple juice from Holland, France, Switzerland, Yugoslavia and Greece.

Packing plants go next

Soon a large part of the nation's agricultural processing industry, such as packing plants, is expected to be relocated next to the new foreign fields. Exported, too, will be the jobs. The result: Still more candidates for America's relief rolls.

The National Sharecroppers Fund reports that the above conditions, coupled with government-ordered cutbacks in cotton production, "are forcing the migration of hundreds of thousands of people annually from rural to urban ghetto areas."

Eventually, these same people are hit again when, as consumers, they must pay for increased food costs which, as always, put the greatest strain on low-income families.

Those farm workers who remain are harassed by the professional organizers who try to persuade them to walk off their jobs and join marches and demonstrations that bring them nothing but the din of union propaganda. Organizers sometimes complain that the farm workers are "so ignorant" it is difficult to convince them they should free-load off welfare when they are able to find jobs.

William L. Kircher, head of organization for the AFL-CIO, claims three things make it easier to sign up farm workers:

1. Secretary Wirtz's restrictions on braceros.
2. The seven year effort by the union confederation's Agricultural Workers Organizing Committee (AWOC) up and down the California valleys.
3. The "dramatic appeal" developed by gloomy-eyed Cesar Chavez, the leader of the fledgling National Farm Workers Assn. (NFWA).

The colorful, maddening story of Cesar Chavez needs a close look as illustrative of what can happen frequently in the future.

The NFWA started out four years ago as a type of family service organization for a small group of Mexican-American farm families. Then the union organizers moved in. They viewed Arizona-born Chavez as a man with the grass-roots appeal that "Anglos" lacked among the Mexican-American migrants.

Chavez didn't mind taking sizable contributions from the big unions to encourage migrants to join, and the NFWA quickly picked up members in every camp and valley in California where grapes, beets, spinach or cotton is raised.

Chavez eyes tax dollars

In the spring of last year, Chavez applied to Washington for a poverty grant. He said he wanted to train community organizers. In August the Office of Economic Opportunity granted him \$267,000. Meanwhile, the AFL-CIO's AWOC set up a strike of farm workers against some 75 owners of small and large farms in a 400-square-mile area of the San Joaquin Valley.

On Sept. 8, Chavez obediently pulled his band of workers off their jobs "in sympathy" with the AWOC strike. The big union organizers decided to use Chavez and his little union as a tool for gaining public approval of the strike which posed a serious threat to California's \$3.7 billion annual farm production. People began to refer to the mass walk-out as "Cesar's strike."

The publicity backfired on Chavez, however, when newsmen found out about the poverty grant. Such a howl went up that OEO head Sargent Shriver reluctantly withdrew the grant.

When the strikers started drifting back to their jobs, the big union men decided a new gimmick was needed.

Borrowing a tactic from civil rights demonstrators, they sent Chavez and some of his members on a 300-mile trudge from Delano—which is the center of the strike zone, about 140 miles north of Los Angeles—to Sacramento, Calif.

The organizers filled the march line with assorted clergymen and members of the Congress of Racial Equality, the Student Nonviolent Coordinating Committee and other civil rights and activist groups from the campuses of Stanford and Berkeley.

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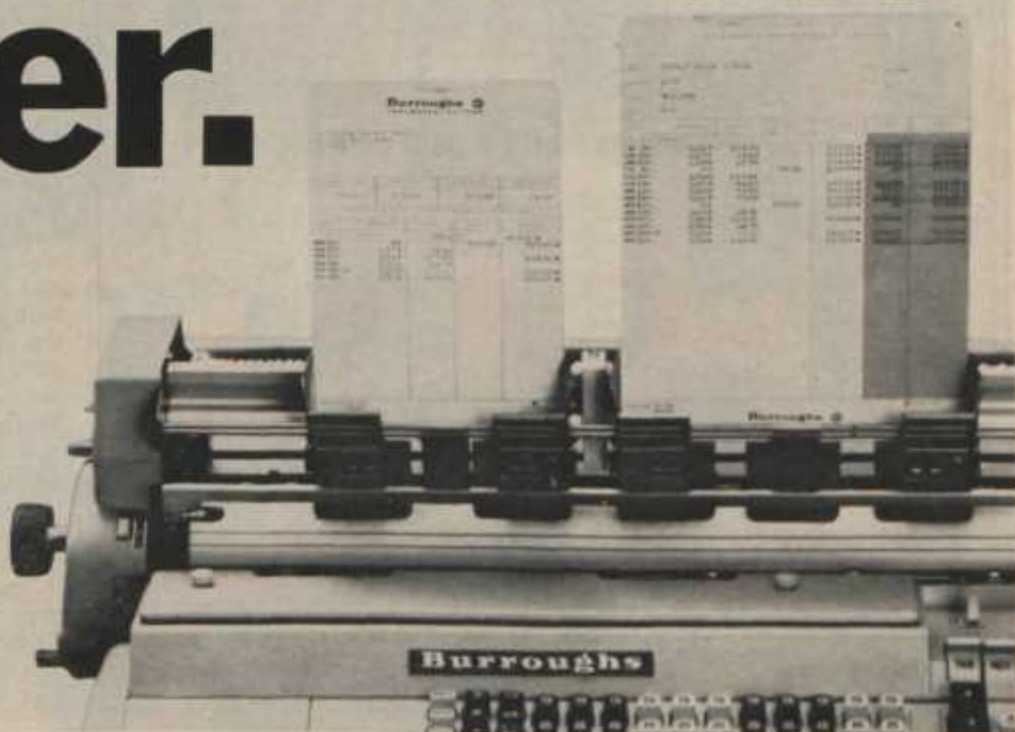
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UNIONS ARE SIGNING THEM UP *continued*

the unions churned out a flood of releases to newspapers and television networks on the march's progress.

Meanwhile, big and small unions locked arms all over the nation to boycott the products of the struck vineyards and force their owners to recognize Chavez' union. The Teamsters cooperated with picket lines thrown up around trucks from the Delano area. In San Francisco, Harry Bridges' longshoremen's union refused to load Delano grapes aboard the Orient-bound President Wilson. Officials generally shut their eyes to the illegal nature of the boycotts.

"Quite a document"

While the march was well under way, AFL-CIO's chief organizer Kircher visited Schenley Industry Corp., one of the boycotted firms and the second largest grower in the Delano area. Shortly thereafter the firm recognized Chavez' "independent" NFWA as the union it would bargain with.

"Quite a history-making document, we think," gloated Kircher over the agreement. Simultaneously the boycott was lifted off Schenley products.

The Mont La Salle Vineyards Corp., owned and operated by Christian Brothers, and the Los Gatos Novitiate Winery of the California Province of the Jesuits quickly followed suit.

The news touched off a lively beer and tequila fiesta among Chavez' marchers.

But the NFWA didn't fare so well with the area's biggest grower, Di Giorgio Fruit Corp.

Di Giorgio actually offered Chavez' union more than it had asked for—provided it could win a standard secret ballot election supervised by the California Mediation and Conciliation Service. On the ballot were to be Chavez' union, the AFL-CIO's AWOC, the Teamsters and a fourth group, the Tulare-Kerne Counties Independent Farm Workers Union.

President Robert Di Giorgio pledged to bargain in good faith with whichever union pulled the majority with Di Giorgio's 1,300 employees on four California farms.

The big union public relations men were furious. They feared Chavez' NFWA would be clobbered in a democratic election. Such a defeat would besmirch the name of

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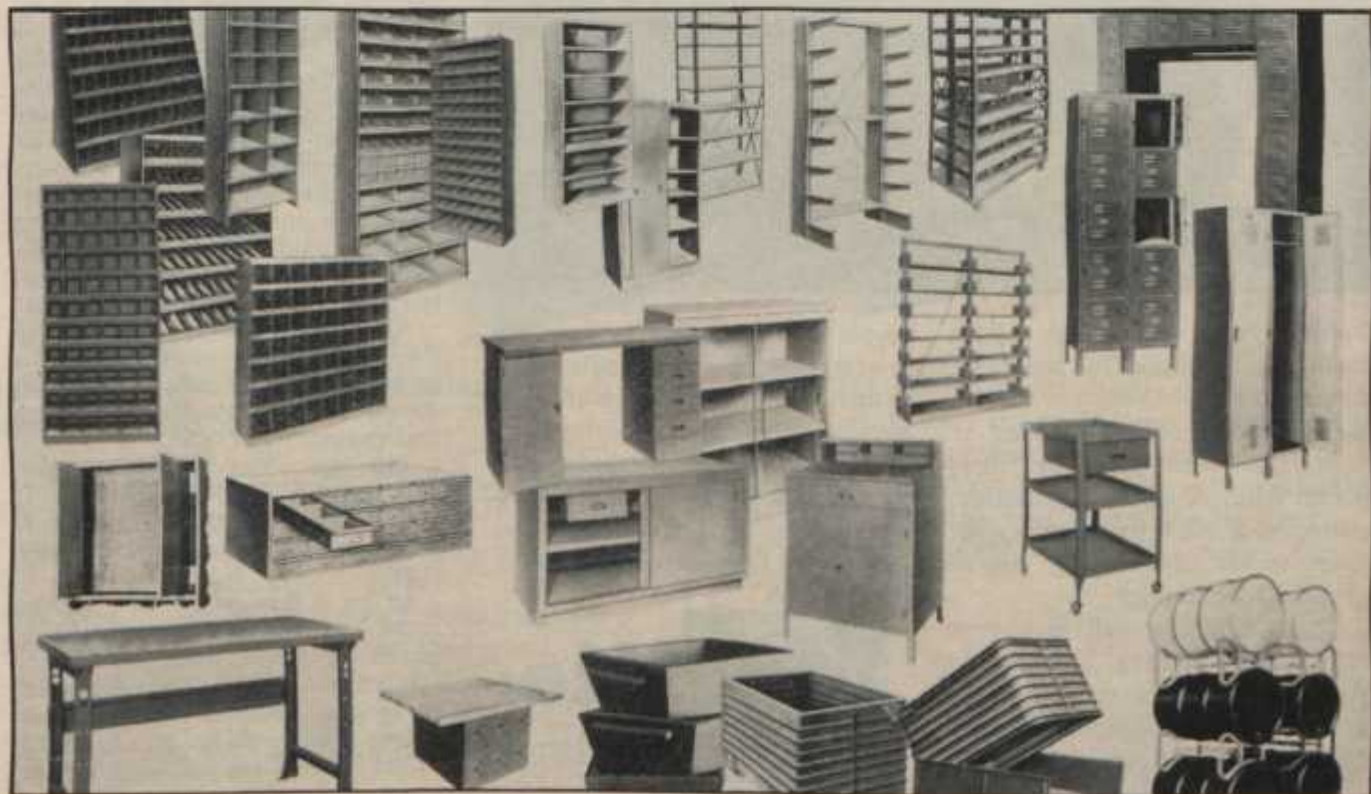


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UNIONS ARE SIGNING THEM UP *continued*

the man they had worked so hard to build up and anoint as "the hero of the working poor."

They decided Chavez should refuse even to talk with Di Giorgio officers and should continue the strike and boycott until Di Giorgio recognized Chavez outright as the sole bargaining agent—no matter what the Di Giorgio employees should really want.

Employees pass over Chavez

The election was held, and the Teamsters won hands down. Chavez protested, and the strike and boycott dragged on. California's Gov. Edmund G. Brown picked Ronald W. Haughton, the co-director of the Labor and Industrial Relations Institute of Wayne State and Michigan universities, to look into the matter. Mr. Haughton arranged for another election to be held Aug. 30 in which the machinery would be more to Chavez' liking.

The big union organizers helped Chavez' group set up a series of parades in various communities to put still greater pressure on Di Giorgio. The union organizers also mustered an army of 10,000 from campuses, churches and labor groups to picket grocery stores selling Di Giorgio's S & W Fine Foods and Tree-Sweet products in 103 cities.

The AFL-CIO executive council formally branded the firm as the "symbol and leader of resistance" to worker organization.

As the date for the second Di Giorgio election approached, the AFL-CIO finally dropped all pretenses that Chavez' NFWA was an independent union freely competing with its own AWOC. The confederation announced that the two unions would merge into a single AFL-CIO group and would be represented as such on the new ballot.

AFL-CIO strategists had hoped they could wait much longer to make the merger official, but the strong showing by the Teamsters had flushed them into action.

The love affair between Chavez and the AFL-CIO had been evident from the beginning, although Chavez at times had tried to cover it up.

In an interview in *The Movement*, the Student Nonviolent Coordinating Committee's newspaper, Chavez had said: "We don't want to model ourselves on industrial unions; that would be bad. We want to get involved in politics, in voter

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UNIONS ARE SIGNING THEM UP *continued*

registration, not just contract negotiations."

Reuther, the firebrand president of the United Auto Workers, had been Chavez' chief suitor for the AFL-CIO. Reuther invited Chavez and some of his followers to his union's convention last May in Long Beach, Calif.

He had the migrants march into the giant convention hall with banners and signs reading "Huelga!" (Spanish for "Strike!"), looking every bit as if they had just come in off the trail.

Chavez stood on the podium flanked by lieutenants who held the Mexican flag high above the U. S. flag. He stuffed his crumpled shirttail into his trousers and hooked arms with Reuther in singing "Solidarity Forever" to the tune of the "Battle Hymn of the Republic." The auto worker delegates, most of whom were wearing fresh, matching bowling shirts, joined in shouting, "Viva la huelga!"

Reuther said the "huelguistas" exhibited the old fighting élan of the early days of the UAW. Some hard-faced officers on the platform wiped their eyes recalling how it was.

"I hope the day will never come when the labor movement of this country loses this kind of spirit," Reuther told the gathering hoarsely. "As long as we've got a dollar in our strike fund, they are going to have our support."

The one aim: organization

The convention passed a resolution reading, "Practically every facet of our union's work and activity is related in some way to the basic task of organizing unorganized workers, for before a man can be convinced of the worth of a program, it is first necessary to obtain an audience with him."

Chavez, they figured, was the man who could get the audience they needed with the "working poor" in Southern California. The delegates, at Reuther's suggestion, voted Chavez an extra \$10,000. This was in addition to the regular monthly check of \$5,000 of UAW funds Chavez has been getting since December when Reuther visited the group while on the West Coast attending an AFL-CIO convention.

Thanking Reuther for the "substantial financial contributions," Chavez told the UAW convention: "Don't kid yourselves; everybody knows who Walter Reuther is out

in the fields. . . . He created national attention for us. Through Walter Reuther we were able to get the Senate investigating committee to come to California and hold hearings on us."

Chavez was referring to hearings on migratory workers held by a Senate labor subcommittee headed by Sen. Harrison Williams (D-N.J.) Back in Washington, Sen. Williams again pleased union organizers during the Senate deliberation on a bill to put the federal-state U. S. Employment Service under stronger federal controls. He proposed that no state job agency be allowed to send workers to a farm involved in a labor dispute.

Since most farm owners rely on state agencies for their farm hands, the proposal would have put immense pressure on owners to give in to any union demands. The Senate voted down Sen. Williams' scheme, 46 to 39, but the idea is apt to pop up again.

Additional pushes are expected on Capitol Hill to put farm hands under the National Labor Relations Act, the federal minimum wage law and unemployment and workmen's compensation systems.

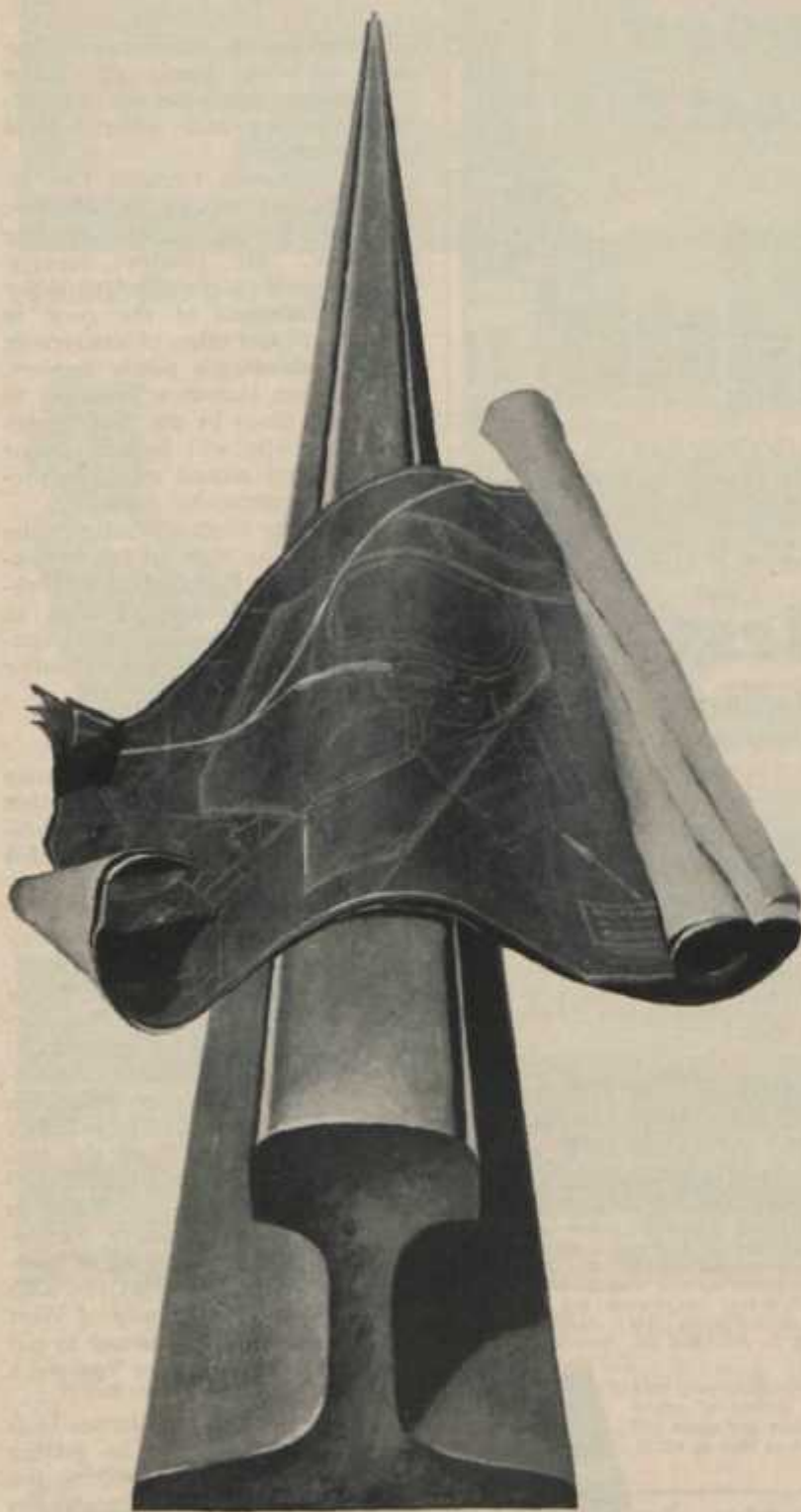
Congress chose not to put farm workers under the National Labor Relations Act or any of its amendments for a variety of reasons:

- Farming, it was argued, is different from most industries.
 - The federal government has no business interfering in the relations between a farmer and his hired hand.
 - Agriculture is of special importance to the public welfare.
 - The commerce clause of the Constitution does not cover agriculture.
 - Finally, it was pointed out, fields of crops could not wait unattended while labor and management thrashed through their established procedure for settling labor disputes.
- But union strategists figure that all the old arguments can be swept aside if enough noise is made to a sympathetic Congress.

"As long as the government doesn't act—as long as the federal government doesn't extend coverage of the Act to farm workers," AFL-CIO's Kircher threatens, "they make strikes and strife and boycotts inextricable parts of the procedure."

The noisemaking has hardly been confined to the Chavez affair.

Nearly two years ago Walter Reuther formed the Citizens Crusade Against Poverty, with himself as national chairman. He put \$1 million of UAW funds into the



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\$6.69 per sq. ft. This 60' x 120' x 16' Florida truck terminal houses warehouse space and the most modern loading and unloading facilities. Builder: Ware Construction Co., Tampa, Florida.



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\$4.55 per sq. ft. This farm equipment dealership in Illinois is located in a 13,500 sq. ft. Inland building containing showroom, offices, parts department, and service shop. 50' x 120' canopy covers outdoor display area. Showroom and offices are finished with wood paneling. Builder: J-M Builders & Supplies Corp., Rockford, Illinois.



\$10.00 per sq. ft. This Rhode Island advertising agency and printing plant has a 24' x 50' x 10' office area connected to an 80' x 60' x 12' printing plant. The Inland building is equipped for close control of indoor temperature and humidity. Exterior color panels are interchangeable. Builder: O. D. Purlington Co., Providence, R. I.

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UNIONS ARE SIGNING THEM UP *continued*

Citizens Crusade which enables the union to work closely with some 100 different organizations interested in getting and using federal poverty money.

"The Citizens Crusade has already helped mount an effective campaign for legislation affecting the poor," Mr. Reuther reports. "It has acted as an effective lobby for organizations of the poor in Mississippi and other places remote from Washington's power centers. It will soon launch a program to train and place in the field representatives who will help the poor organize and mount effective programs of community action."

Other large unions joining in the all-out drive to sign up farm workers include the Packinghouse Workers and the Meatcutters who, in 1960, absorbed the National Agricultural Workers Union. Smaller groups have been active, too.

Union man's poor man

AFL-CIO President George Meany showed his determination to enlist the support of the "working poor" last year when he called one of his top state federation presidents, West Virginia's Miles C. Stanley, to Washington. Mr. Meany named Mr. Stanley to be his right-hand man in coordinating labor union participation in the Administration's anti-poverty program.

Evidence of Mr. Stanley's effectiveness came this year when the Office of Economic Opportunity handed over \$250,000 of the taxpayers' money to the AFL-CIO to train 100 local union officers in the 11 Appalachian states purportedly "to do an effective job in fighting poverty." The AFL-CIO, with the help of the University of West Virginia, is using the money to put its officers through four one-week training sessions.

All over the country, James Hoffa's Teamsters seem to be getting the most results in organizing the migrants. Quietly, and mostly in small groups, they have been signing up "stoop" workers in the fields as well as tractor drivers, truck drivers and packing shed employees.

The 5,000-member Negro-American Labor Council (NALC) at its convention in Baltimore last May vowed to cooperate closer with the AFL-CIO both in organizing and in waging political battles.

The NALC also voted in a new president, Cleveland Robinson, an



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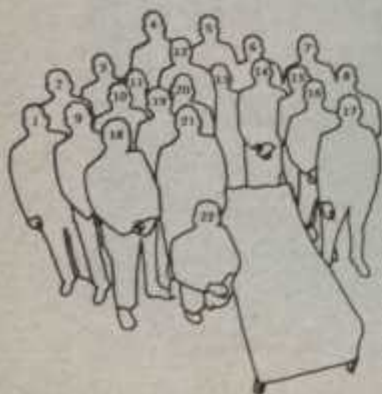
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why we bothered to design the CO-LOADSTAR. It's for those who want a cab-over model — the best — because a cab-over can twist and turn through a city obstacle course with an agility that the best conventional truck can't match. Not even other cab-over models can match CO-LOADSTAR nimbleness . . . or its 3-man slide-thru cab.

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UNIONS ARE SIGNING THEM UP *continued*

officer of the Retail Wholesale & Department Store Union. He succeeds A. Philip Randolph, president of the Brotherhood of Sleeping Car Porters and the patriarch of the Negro labor movement.

But the fight is carried on in Randolph's name through the A. Philip Randolph Institute, headed by Bayard Rustin. The Institute was set up to coordinate union efforts with those of civil rights organizations and related groups.

This beats featherbedding

Meanwhile, the old, established unions are watching with more than ordinary interest the progress of another rising group—a national union of welfare recipients.

This "union" is directed from Washington by Dr. George A. Wiley, the head of the Poverty Rights Action Center. The goal of Dr. Wiley, college chemistry professor and former associate national director of the Congress of Racial Equality, is a brotherhood of people on relief rolls.

The organization would bargain collectively with welfare officials and others for more free benefits. Ultimately, he hopes to see a guaranteed annual income for the poor all over the land. (See "America's Poor: Should They Work at All?" page 34.)

Officers of one of Dr. Wiley's subgroups, the Citywide Coordinating Committee which is said to represent some 5,000 New York City welfare "clients," recently demanded that city officials give them a complete list of the names of the city's 550,000 persons on public assistance. They wanted the confidential information for their recruiting drive.

One thing that disturbs the leaders of Dr. Wiley's movement is that some people don't realize they are eligible for relief. They say if the taxpayers would help in an educational campaign to convince these unenlightened folk that they are needy, it would certainly aid the organizational efforts of their non-labor union. **END**

REPRINTS of "America's Poor: How Unions Are Signing Them Up," may be obtained for 35 cents a copy, \$16 per 100, or \$135 per 1,000 postpaid from *Nation's Business*, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance with order.

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The people of San Leandro, by and large, believe in running their own city without loans, handouts, advice or interference from the federal government.

In recent months, they have turned down large sums of federal money available under the federal

anti-poverty program, federal urban renewal, housing and beautification programs.

The people do not like their city to be in debt either. They demand a pay-as-we-go policy in City Hall and that monies be set aside for less affluent days which may come.

Since World War II this will of the people has prevailed.

The city's fiscal policy during this era of skyrocketing taxes and public costs seem to have been the proper one because in addition to having a prospering and expanding city, the people have also benefited

from 18 straight annual reductions in their property tax rate.

A nineteenth straight reduction has been promised for this autumn.

Under this remarkable policy of reducing levies, San Leandro's property tax has dropped from a 1947 rate of \$1.98 per \$100 of assessed value to today's rate of \$1.07.

A great many factors have helped create this happy situation:

- State sales tax receipts, which help the city, grow steadily larger. The valuation of property, of course, has gone up.

- The city is administered honestly and efficiently.

- New industry has poured into the area.

- The city is practically free of debt so there is little interest and principal on loans outstanding.

- Annexation has embraced desirable sections.



No thanks, Washington

PHOTOS: FRED RAFLAN—BLACK STAR



In downtown San Leandro flowers bloom and fountains run in the locally financed urban renewal area.

- The population has increased three times in 20 years.
- And there is harmony between businessmen and politicians.

Business-government harmony

"One outstanding reason for our improving situation," said Mayor Jack D. Maltester, "has been our citizens advisory group program.

"City government people and San Leandro businessmen get on wonderfully well together. We have our dialogue. We rely on businessmen for guidance and we get it.

Mayor Maltester is a businessman himself. He owns a medium-size printing shop but now finds

that he spends more time at city hall in company with City Manager Wesley McClure than he does in the shop with the typesetters.

McClure has been city manager for 19 years. The mayor and two of his councilmen were not even opposed in elections last year.

One guideline that San Leandro hews to is that there is little or no need for the federal government in the city's business.

"We want to avoid being enmeshed in federal red tape," the mayor told NATION'S BUSINESS during lunch recently in the new city-owned marina restaurant which is built out over the waters of San Francisco Bay.

"We do not want federal controls. Washington will send a city money for many things but strings often are attached."

The U. S. Conference of Mayors and the National League of Cities publish booklets which can be used

as if they were maps pointing the way to buried federal treasure.

They outline programs and projects that Washington will participate in financially along with cities.

"We do not even open the book," Mr. McClure says. "Some cities may need such a book. We do not."

This is in direct contrast to scores of cities which can hardly wait for new editions or additions to the book of federal grants in aid. Some of these cities, New York, for example, maintain full-time employees in Washington to stay on the lookout for federal funds.

"If a city feels that it must have help, all right," Mr. Maltester says. "But unless this is absolutely necessary, I feel it is best for the city to go it alone—without Washington.

Several years ago the center section of San Leandro's retail business area was becoming blighted. There was a parking problem

The city officials most responsible for San Leandro's popular policy of independence from Washington: City Manager Wesley McClure, standing. Mayor Jack Maltester, at the desk.

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NO THANKS, WASHINGTON *continued*

there: Stores were deteriorating. Supplies were difficult to deliver. Customers were fleeing to the outback.

San Leandro decided that it must renew its core. Washington was ready with \$2.5 million.

Thanks, but no thanks

At first the city did not want the money. But it was so tempting. It could be had so easily. The mayor and county council decided to take it despite the fact that it had a catch to it. Under Washington requirements they had to renew, in addition to the business core, some residential areas which Mayor Maltester was sure did not need renewing.

The federal money was duly made available but at this point Mayor Maltester and his council had second thoughts.

They decided not to accept Washington's money.

The renewal job has now been completed with city money plus local business money. Today in the city's core there are inviting shopping malls. Parking space is readily available. Trees grow in the verges. Fountains flow.

In years past San Leandro had been tempted to dip into the public trough for loans or handouts from Washington.

Federal money was used to help modernize the local sewerage plant and to acquire land for its new bay-front park and recreation area. The city has poured \$2 million of its own money into the park but the city council did not feel the town's citizens should pay all of the park's costs. The park is four and a half miles long and Californians from up and down the eastern shore of the bay will benefit from it, not just the people of San Leandro. Uncle Sam's Department of Housing and Urban Development has given \$153,000 and may give another million or so.

The area will eventually include a golf course, sports grounds, scenic drives, picnic parks, green belts and boating facilities.

President Johnson's poverty program stirred little interest in San Leandro. In fact that part of the program providing for hiring idle kids for summer civic work was old hat. Jobless youngsters had been finding summer employment with the city of San Leandro for years.

Fear of city debt chills Mayor Maltester as much as fear of fed-

eral entanglement. He has been mayor for 10 years and the only bond issue in his time was a relatively small \$1.75 million borrowing which was used to pay for a large library.

The city's credit rating is so good that it could have borrowed up to \$28 million.

The only other debts are odds and ends owed the state, primarily for a civic center which is being built this autumn.

San Leandro avoids going into debt by looking ahead and putting money aside. For example: The sewerage and filtration plant needed expanding and modernizing several years ago. Cost: \$600,000.

Instead of getting help, borrowing locally or going the bonding route, the city put aside \$300,000 from current funds one year and a second \$300,000 the next and did the modernizing job without the cost of carrying charges.

Pulling new business

Low taxes, smooth relations between city hall and business and a reduced crime rate (down 10 per cent in the past year) has turned the city into a magnet for industrial plants.

Five hundred different factories, firms and plants have moved into the city in the past 15 years.

Over \$200 million has been added to taxable property by the influx of business. Industry pays about one third of the bill for local government and about 45 per cent of the property tax.

San Leandro is not Utopia. A good industrial site now costs about \$50,000 an acre, an expense that could decide some companies against moving to the area.

Also San Leandro shares a common political boundary with Oakland, Calif., which has had problems involving relations between whites, Negroes and Mexican-Americans.

If violence erupts in Oakland in the future, it could well spill over into San Leandro where race relations have been harmonious.

These potential problems notwithstanding, San Leandro has come quite a way from the days 75 years ago when it was a village called "The Cherry Festival Town."

Today, the cherry trees are nearly all gone. The blacksmith shops are gone. There is no farming in the city limits. The leisurely pace has given way to the businesslike bustle of a city that knows where it is going and the best way to get there. **END**

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SHOULD THEY HAVE TO WORK?

continued from page 35

blaming the middle class for the plight of the deprived, has become high fashion these days."

Lunk the means test?

Perhaps the most sweeping changes in the federal welfare picture are those sought by the HEW Department's Advisory Council on Public Welfare.

The council in a June report came out strongly for the guaranteed income while vigorously recommending that the means test be scrapped.

It believes guaranteed incomes should be available "to all who need them as a matter of right."

Overhauling the already vast welfare system, the council concedes, will cost money. It believes some states will not be able to maintain their share under traditional contributory arrangements. But the council has a ready answer for that: The federal government would assume full responsibility for any difference in costs.

States concerned about the erosion of their rights or the further intrusion of the federal government into their affairs may not be able to resist the blandishments of the council's grand new program.

The advantages of a plan which pegs their total financial obligation to their ability to pay, explains the group, "would be a powerful incentive to cooperate in this new plan of partnership."

Accepting the revolutionary blueprint from the 12-man citizens committee, HEW Secretary John W. Gardner promised to give it "careful study."

Welfare Commissioner Ellen Winston was more effusive. On receiving the report she observed that many proposals of other advisory groups had found their way into legislation.

Mrs. Elizabeth Wickenden, New York social welfare consultant and member of the council, said, "The states should love it. New York has been begging for something like this for years."

Well, New York could get that, and more.

An organization called the City-wide Coordinating Committee of Welfare Clients is seeking to organize the 500,000 New Yorkers on relief to give them a unified voice to press for more welfare benefits.

New York Welfare Commissioner Ginsberg, who already has to deal with 15 unions and four employee

associations in his department, believes a union of welfare recipients is inevitable. "We're going to have to meet with them," he explains. "I think they (unions) serve a useful purpose."

In Chicago the West Side Organization Welfare Union signed up 1,500 welfare recipients in its first year of operation. It has now begun to organize union locals; three are already functioning. Another is being established in the ghetto section of Gary, Ind.

Robert Strom, one of the original professional organizers of WSO, says he believes the community union movement can expand into a national organization. If thousands of local welfare offices were forced to obey rules set down by the union, he believes the federal government would have to find some new avenue of providing income to the poor.

Do you think the guaranteed income might lead to apathy and lack of job motivation, he was asked recently. On the contrary, he replied, it would give people more freedom and monetary power to organize their own communities, gain control of some businesses and work for increased economic stability and more jobs.

Relief potential: 16 million

Another newly-formed group, the Ad Hoc Committee for a Guaranteed Income, is based at the University of Chicago. It points up the fact that while eight million persons are on relief, there are approximately eight million more eligible but not receiving assistance, or not getting their full allowance.

What does this mean? The committee explains:

"Collectively, the numbers indicate the potentially critical power of the poor to generate a crisis by flooding the rolls. Such action would be legal and more than the local and state governments could handle. Cities, with their decreasing tax base, could not withstand the pressure and the resulting crisis over municipal finances would increase conflicts between present political coalitions. . . .

"Politicians on the national level would be compelled to seek federal legislation to correct the failures of welfare programs."

Two men, John Kenneth Galbraith and Michael Harrington, put much of the steam behind the current drive for a guaranteed income. Galbraith's book, "The Affluent Society," and Harrington's "The Other America" are generally credited with spurring the nation to

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SHOULD THEY HAVE TO WORK? *continued*

wage war on poverty. In a country as rich as ours, these books argue, there should be no poor.

More recently the well-known liberal economist Robert Theobald came out with his "The Guaranteed Income: Next Step in Economic Evolution?" published by Doubleday and Co., Inc. A guaranteed income is inevitable in this age of growing automation, it asserts.

While it may seem an anomaly, one of the proponents of the guaranteed income through the negative income tax route is the laissez-faire economist Milton Friedman who served as an adviser to 1964 Republican Presidential candidate Barry Goldwater.

Dr. Friedman, however, parts company with Theobald and some of the other economists by proposing that the negative income tax supplant what he calls the "present ragbag" of welfare programs. In other words, eliminate all of them in favor of a negative income tax.

Dr. Friedman told NATION'S BUSINESS the future of a guaranteed income "will largely depend on what happens to the war on poverty. If it continues to be plagued by scandal the Administration will look for alternatives. Then you can look for a big push for a negative income tax.

Shovel out the money

"But if the war on poverty simmers down to a straightforward shoveling out of money, I'm not sure when it will take place."

Dr. Friedman believes his proposals for a negative income tax, tied in with existing Internal Revenue Service machinery, would have a built-in form of means test.

Anyone who uses an income tax form to apply for an income tax in reverse, he says, would thereby be signing an affidavit attesting to his needs.

Dr. Friedman proposes a graduated reverse income tax. It would offer incentives for an individual to work and earn more as his annual income approaches a \$3,000 poverty level.

Most of the other proposals call for an outright dole to close the gap between earnings, if any, and the poverty line figure.

Another thinker, Michael D. Reagan, professor of political science at the University of California, says it is one thing to provide a guaranteed income for those who are dis-

abled or otherwise unemployable. But he believes it is something else again to suggest that the work question is irrelevant for the able-bodied.

Some 70 per cent of poor families have at least one wage earner. It is difficult, he says, to retain an "economic incentive if the full poverty gap is to be eliminated through the negative income tax."

Representative Curtis' view

Rep. Thomas Curtis of Missouri, second ranking Republican on the House Ways and Means Committee, told NATION'S BUSINESS he sees nothing on the horizon to indicate this or any other administration can enact the guaranteed income.

In his opinion it smacks of Fabian socialism and it flouts the Biblical injunction calling on the individual to reap rewards by the sweat of his brow. "Above all," Mr. Curtis declares, "there is no getting away from the fact you must relate earnings to work."

Conceivably, a guaranteed income could change the lives and living habits of millions of Americans.

Would an individual, for instance, be able to move out of the country and have his government check mailed to some romantic Pacific isle where \$3,000 would buy a heap of living? Or perhaps an out-of-the-way Mexican village where a family could settle into a life of ease and comfort?

What would such a thing do to the balance of international payments—already in deficit?

Congress would have to provide answers for many such questions before it could set up machinery to parcel out the largesse of a guaranteed income. With the means test out of the way and by using a simple tax form it seems unlikely that it would be necessary for a recipient to stand in line once a week the way he does today to remain eligible for unemployment compensation.

Shriver for the dole

While no one in government is willing at this time to say if and when the guaranteed income will be proposed, one who seems for it is Sargent Shriver, director of the Office of Economic Opportunity. A special staff, headed by OEO research director Joseph Kershaw, has been diligently analyzing and assessing each guaranteed income proposal that surfaces.

Mr. Kershaw contends, "The last two tax cut bills went right over the heads of the poor, simply be-



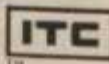
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SHOULD THEY HAVE TO WORK? *continued*

cause most of them don't pay taxes. Increasing deductions or exemptions wouldn't help our clients either. But a negative tax plan would be a sure way to help the poor."

Mr. Shriver's poverty headquarters seems most sold on a proposal of the University of Wisconsin's Prof. Robert Lampman. Actually, Prof. Lampman has two plans whose over-all objectives are to improve tax equity, narrow the poverty-income gap and replace public assistance as a method of providing income to the poor.

Plan one is the simplest and would cost the least—about \$2 billion a year. Under it, families and individuals with incomes so low they owe no taxes could claim a cash refund for 14 per cent of their unused exemptions and deductions. Those on public welfare rolls would be given subsidies in the form of tax allowances.

Plan two involves tax allowances based on a negative tax rate of a flat 50 per cent.

Under it a family would subtract its total income—not including welfare payments—from the poverty-line income for a family of a given size, composition, and urban or rural residence. Uncle Sam would pay half of the difference to put a minimum-subsistence floor under the poor.

Estimated cost—about \$12 billion a year.

Some of the current schemes suggested for eliminating poverty with a guaranteed income approach the \$30 billion figure annually. It is possible that if the government decided to give a flat \$3,000 to each of the million families now deemed poverty stricken such costs would reach a staggering \$36 billion a year or about a third of the present national budget.

Will the nostrum work?

Would the negative income tax work? Among those who are convinced it won't is Thomas K. Hitch, vice president and director of economic research of the First National Bank of Hawaii.

He speaks from first-hand knowledge. Hawaii, last year, adopted a form of the negative income tax. Under it, a family of four, with an income of \$1,100 a year, can collect a negative tax payment of \$72. This sum is not meant to wipe out poverty, but to soften the impact

of the state sales tax on poor families.

Writing in *Challenge* magazine Mr. Hitch asserts:

"First, the negative income tax is a very frank and open device for taking money away from the rich and giving it to the poor. The next step could be to take it away from the fairly rich and give it to the fairly poor. And the next step could be to take it away from the upper middle income classes and give it to the lower middle income classes. . . .

"Since the vast majority of the electorate are and always will be below the average income level, most office seekers would be sorely tempted to recognize this fact in deciding the issues on which they would choose to campaign. This fact has become very evident in this country in the last 35 years."

Mr. Hitch says that the poor person either can and will learn to earn a living or they can't or won't.

"If he can't or won't, then the public assistance 'needs test' is a better approach than a continuing cash subsidy from the government as a matter of right. After all, for those who can't or won't, the cash subsidy might quickly disappear and then general public assistance (needs test and all) would have to come to the rescue."

When the money's spent

Mr. Hitch says he agrees a great many people below the poverty line would be helped by a cash receipt from the government but adds: "Every social worker knows that there are also a great many who would rapidly dissipate this money and soon be right back where they were before."

The income tax is not a ready-made mechanism for distributing money to the poor, he points out, even if such a distribution were desirable.

Many types of income are not taxable and not reported on the income tax return—Social Security, unemployment and workmen's compensation benefits, public assistance payments, interest on tax-free securities, pensions and annuities, proceeds from life insurance, to name some.

Obviously, all these would have to be listed in a separate filing for those who might try to qualify for the tax rebate.

And the poverty-stricken, if they are to be helped, need money immediately, not in the form of a lump sum after the April 15 tax filing deadline.

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continued from page 46

power generation. Says Hugh Carter, Long Beach, Calif.:

"By 1975, I would estimate that three out of every 10 major projects being designed in the United States will have given careful consideration to on-site generation, and may, in fact, have adopted this system.

"The on-site generation will affect the building, design and construction industry through a tendency of putting larger units together which make the package attractive for on-site generation."

Agreement was expressed by Milford G. Bird of Minneapolis, who adds: "The tremendous increase in the use of air-conditioning will drastically change the economics of the use of fuels and energy. This could change the methods of distributing the ideal energy—electricity."

He foresees stiff competition for utilities in the form of electric generating plants whether using natural gas, heavy fuel oils or coal.

Others are equally forceful in arguing the merits of other fuels—like gas—in the "total energy" system.

Food and fiber

The trend toward prepackaging of food is widely expected to continue, as is expansion of preservation by irradiation and freeze-drying and their gradual expansion to include more foods.

Other predictions:

- Dames and Moore, Los Angeles, Calif.: Higher yield per acre, increasing soil depletion, more intensive fertilizer use, greater need for conservation, possible search for food and fiber substitutes. "For instance, the energy stores in fossil fuels and coal may be convertible to proteins for use as food."

- David S. Benham: Use of incineration to dispose of solid wastes as space for sanitary landfills becomes more scarce.

- Woodward - Clyde - Sherard: Loss of agricultural land to residential, industrial and commercial use will force a shift of agricultural production to arable but water-short areas, creating demand for water diversion.

- Ken R. White Co., Denver, Colo.: Application of known techniques for "ocean farming."

- Fred S. Dubin, Hartford, Conn.: "Facilities to grow food artificially

(continued on page 84)



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NEW RASH OF TAX LAWS ON THE WAY

It's coming on the heels of the big revisions of the early '60's, with the help of precise new policy tools

The outpouring of federal tax changes that characterized the first half of the '60's will likely flow again in the months and years just ahead.

The "New Economics" concept of using tax policy to spur and steer the economy is very much alive, and tax planners are accumulating a storehouse of computer-age tools to allow them to move faster and with more precision.

What exactly lies ahead? "It is difficult and rarely profitable to predict very far ahead in the tax field," says Stanley S. Surrey, Assistant Secretary of the Treasury for Tax Policy. "Many of the proposals and

ideas that are carefully researched and examined, and then subjected to public scrutiny, do not survive to the stage of serious legislative consideration."

With this caution in mind, it's still useful to look at changes being discussed and to sketch possible paths:

Tax reduction. President Johnson has pledged that "when tax reduction once again becomes feasible, particular attention must be given to relief of those at or near poverty levels of income."

Tax simplification. Mr. Johnson and the chairmen of Congressional

tax committees have committed themselves to making it easier for taxpayers to face that dreaded task of filling out an income tax return.

Revision and reform. The Treasury is looking into the whole area of estate and gift taxes to see if revisions are needed. President Johnson has asked Congress to "deal with abuses of tax-exempt private foundations."

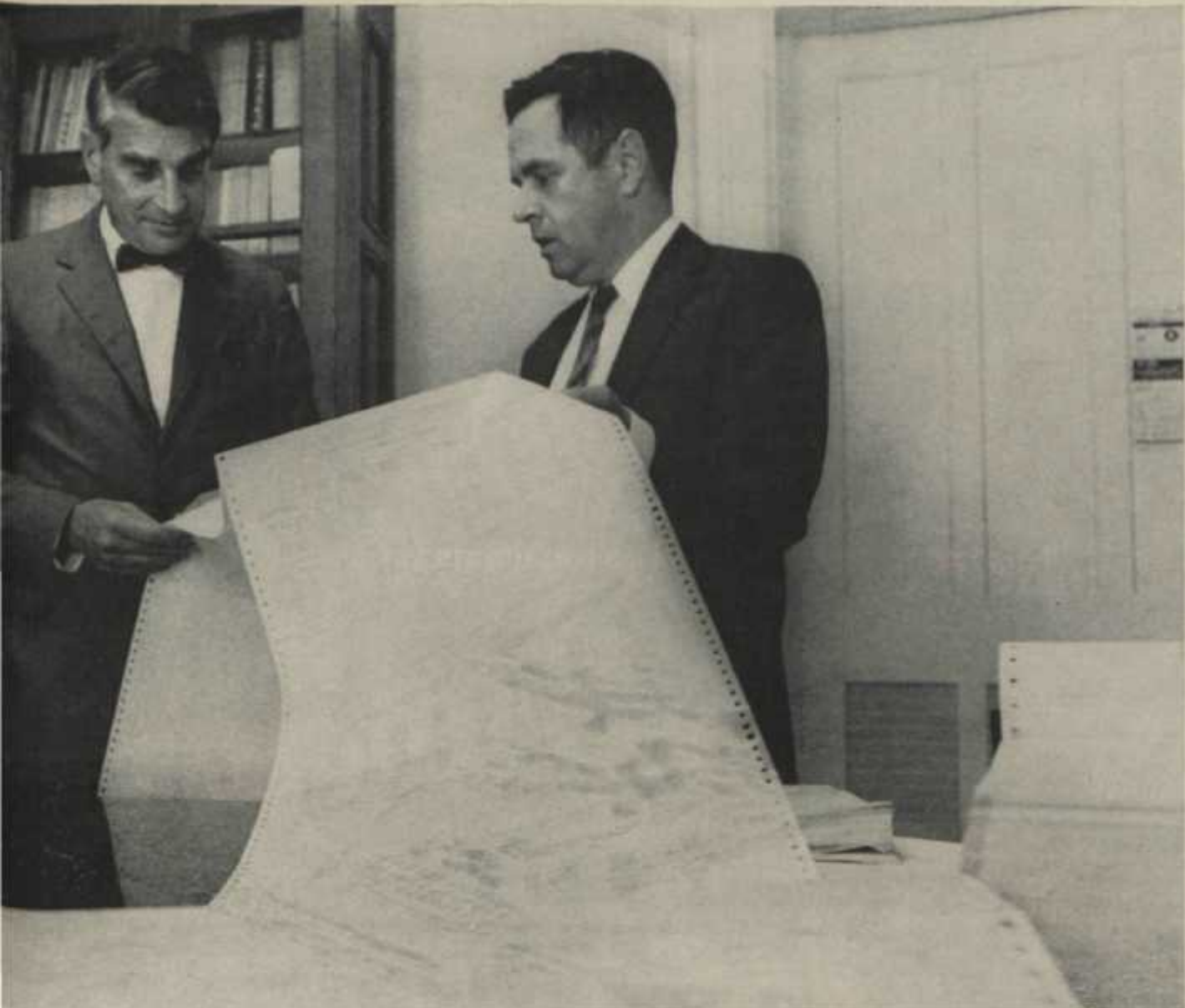
Tax deductions and credits. The Administration wants a tax deduction for individuals' political contributions. But tax credits for home repairs, worker retraining and anti-pollution efforts are being discouraged.

Little attention is being given to the various plans for returning excess tax revenue to the states. When the federal government runs a budget deficit year after year, there's no question of what to do with surplus funds.

And there's almost no push for



PHOTO: FRED WARD-BLACK STAR



Tax planners rely increasingly on computers to find out what effect a proposed tax change will have. Here, Treasury Assistant Secretary Stanley Surrey, left, and aide Gerard Brannon read a print-out.

stand-by authority for the President to raise or lower taxes.

Hard to top

To match the tax activity of the first half of this decade will be no mean accomplishment. That activity really got rolling in 1962, with the adoption of the seven per cent tax credit for investment by business in new machinery and equipment. A companion Treasury ruling that same year accelerated deductions for depreciating machinery and equipment.

Then came the massive Revenue Act of 1964, providing a record cut in personal and corporate income taxes, and the Excise Tax Act of 1965, abolishing many excise taxes and reducing others.

Altogether, the White House estimates these measures have reduced taxes by about \$20 billion annually. Also enacted in 1964 as part of the big tax-cut reform

package was the interest equalization tax. Its purpose was to alleviate the U. S. balance of payments deficit by taxing purchases of foreign securities by American citizens.

Faced with growing signs of inflation, the President early this year again turned toward tax policy—this time to damp the economy down a bit. He asked for and got a delay in scheduled excise tax cuts, graduated withholding tax rates, a speed-up in corporate tax payments and quarterly payment of social security taxes for self-employed. Not to mention a hike in all social security taxes to cover the heavy cost of medicare.

In the thick of all this activity was a largely unpublicized, professional staff, which now numbers about 50 economists. It is equally involved in work that may become future tax policy. All but a couple of these 50 have their offices on the fourth floor of the fortresslike U.S.

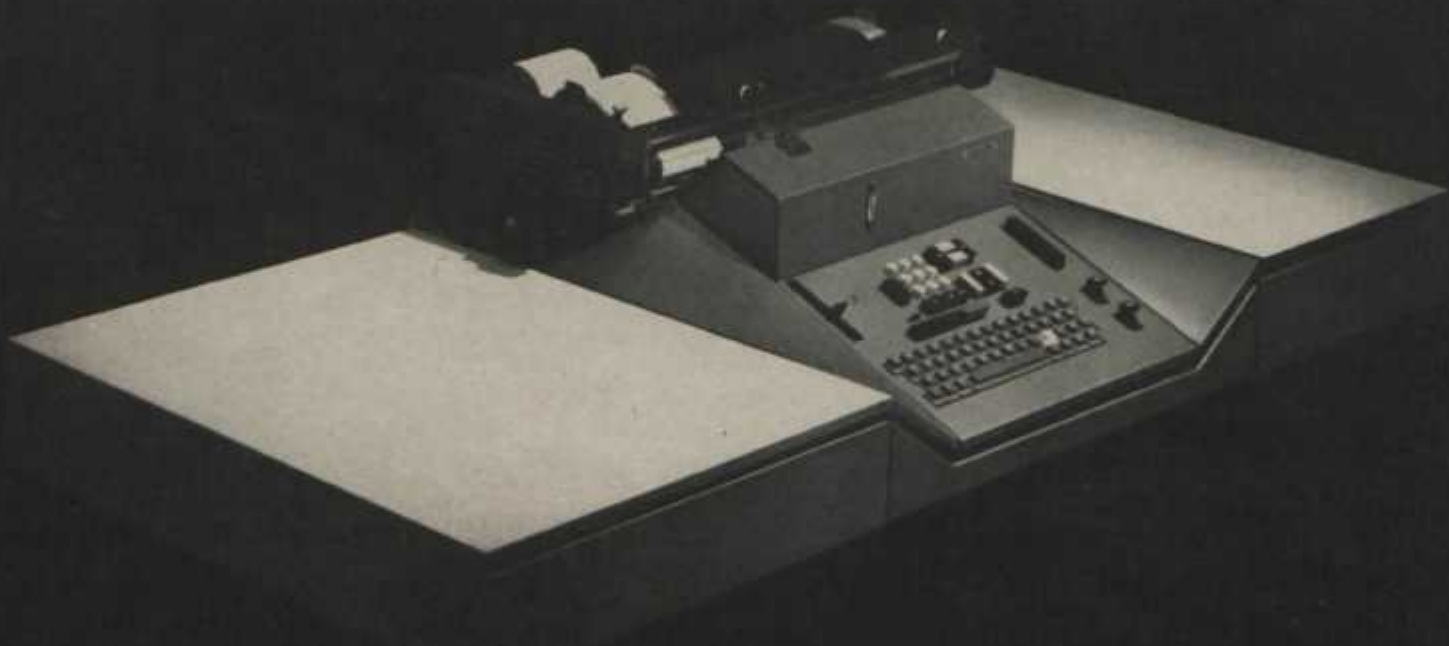
Treasury building, across the street from the White House. They work for the Treasury's Office of Tax Analysis, which has sometimes been described as an economic detective bureau.

Directing the office is Gerard M. Brannon, a gentle, brainy, pipe-smoking Irishman in his mid-40's who before joining the Treasury in 1963 was staff economist for the tax-writing House Ways and Means Committee.

Mr. Brannon tells NATION'S BUSINESS his office "serves as something of a communications link between the academic and business research communities, and the federal policy makers. If you want a good tax system, you've got to draw on the best thinking, wherever it is."

No tax proposal becomes law without first having the spadework done by this office. Ideas are analyzed to see if they will produce the fruits their sponsors claim and if

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NEW RASH OF TAX LAWS *continued*

there are better, non-tax solutions. There's liaison with the academicians to see what, if anything, has already been done.

Mr. Brannon's boss, Assistant Secretary Surrey, says that it is imperative to know how a proposed change in tax law is "likely to affect the distribution of income after tax, how efficiently the change will operate in achieving its objective, what effect the change is likely to have on private economic decisions, and what these effects imply as to the level of Gross National Product" which is the total value of all goods and services produced in the country.

"This analysis not only has to be applied to the specific tax proposal but also to a range of alternative solutions, both tax and non-tax. And after a change has been made in the tax law, all these questions must be answered again, but this time in terms not of what will happen if the change is made but in terms of what did happen once the change was made."

Computers' new role

Increasingly, the tax office is relying on high-speed digital computers for help in analysis. In fact, that 1964 income tax return you filed may affect federal tax decisions of the future.

The office has developed a computer model of the individual income tax by taking a random, stratified sample of thousands of 1964 returns. The computer blows this up to represent the whole population of individual taxpayers that year, and by applying weights to that result, later-year filings can be reflected.

A computer model for the corporate tax is being prepared. Analysts are also working up computer programs to see what, precisely, has been the effect of the 1962 investment credit, why tax revenues have increased so much more than expected and what effect the tax deduction for charitable contributions actually has.

The analytic approach facilitated by computers "opens our tax system to the whole range of cost effectiveness analysis that we are now applying to governmental and private expenditures," says Mr. Surrey. "If diligently and carefully pursued, it could well involve major significance for the tax policies of the future. It may hold the key

to an objective appraisal of many of our existing tax preferences.

A look to the future

What's going to happen to taxes in the months and years ahead can't, of course, be firmly stated. But a look at what is being discussed in and out of the government strongly suggests brisk activity.

With the economy churning along at present levels, tax reduction is most probably some time off. But when Viet Nam cools considerably or the economy looks as if it's sagging, President Johnson can be expected to ask for another tax cut. And he has said this one should particularly help people at or near the poverty level.

The 1964 tax cut did much to relieve low income people from tax coverage. It established a minimum standard deduction and split the old first tax bracket of \$4,000 into four \$1,000 brackets, with a starting rate of 14 per cent. It took many off the tax rolls completely.

"New Economists" in and out of the government see the individual income tax as the most efficient tax tool for influencing the economy up or down. A subcommittee of the Congressional Joint Economic Committee held hearings earlier this year on whether tax changes should be employed for short-run stabilization of the economy—and what kind.

E. Cary Brown, professor of economics at Massachusetts Institute of Technology, told that panel:

"The obvious tax one thinks of for stabilization purposes is the personal income tax. It is broadly based, has a large revenue yield and can be implemented on short notice through changes in withholding rates."

Assistant Secretary Surrey agrees. "On the basis of the criteria of immediacy and certainty of economic effect, the individual income tax is probably the most suitable for implementing temporary changes in tax rates," is the way he puts it.

It seems far from hazardous to predict that the current Administration will continue to seek to forestall severe swings in the economy at least partly by raising and lowering the tax take from individuals.

Changing corporate tax rates might also be used as a short-run countercyclical tool, but many economists share the view that there's an appreciable lag between a change in corporate rates up or down and when its effect is felt in company planning and on the economy.

Also being explored is the concept of a "negative income tax,"

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NEW RASH OF TAX LAWS *continued*

where payments might be made to people whose income is below the level of personal exemptions and minimum standard deductions. Payments could be set at a uniform level or graduated downward as a person's income nears the taxable level.

Scholars have been looking into this method of supporting the poor for some time. A Presidential Commission on Automation has recommended that Congress give it "serious study." The President's Council of Economic Advisers has said this and other proposals aimed at the poor "deserve further exploration."

Making them simpler

Tax simplification is sure to get almost continuous attention. President Johnson has called for it and Chairman Wilbur Mills (D., Ark.) of the House Ways and Means Committee and Chairman Russell Long (D., La.) of the Senate Finance Committee are working for it.

In addition to stripping away outdated provisions from the law, ideas prominently mentioned include raising the maximum standard deduction above its present \$1,000. Rep. Mills wrote in *NATION's BUSINESS* last December: "For many of the middle income groups, an opportunity to claim a 10 per cent standard deduction of more than \$1,000 would, in my opinion, greatly ease the burdens and irritations of compliance."

Another suggestion would eliminate the standard deduction and lower rates by 10 per cent or more for taxpayers willing to forego itemizing their deductions. Chairman Mills suggests he's perfectly willing to have tax simplification measures considered by his committee several at a time rather than storing them up for a single, omnibus tax simplification act.

Sen. Long wants to offer substantially lower tax rates to those who choose to pass up all tax preferences, including most of the personal deductions but also extending to such areas as tax-exempt interest, capital gains and depletion.

The Treasury's Mr. Surrey says: "Where simplification is possible without pain to the taxpayers involved, and without serious loss of revenue, it will obviously be adopted as soon as the solution is perceived."

There's concern—and maybe a

dash of political opportunism—at the White House and in Congress over the great variation of tax liability among persons with equivalent income or wealth.

Under present law, people with equivalent income can have drastically different tax bills because the money sources are taxed at different rates.

Revision and reform of estate and gift taxes seems certain. One tax lawyer labels this as one of the "real equity problems" in tax law. Most of the study and legislating over the years has been in the income and excise tax fields, but the Treasury is now studying the findings of extensive investigations into estate and gift taxes by the Brookings Institution and the American Law Institute.

More tax tinkering

The Treasury is also considering the relationships of these taxes to the capital gains tax and the rates of income tax in the upper brackets. It believes the tax treatment of capital gains at death needs revision to limit the present escape from income tax of appreciated property transferred by inheritance. This, of course, faces opposition from those with the instinct to want to leave something to their children.

President Johnson has asked Congress to deal with "abuses of tax-exempt private foundations." A study by the Treasury showed, among other things, that while most foundations were carrying out their proper, tax deductible, philanthropic purpose, some were retaining benefits rather than distributing them and were being used by donors to rent property or lend money. The Treasury firmly feels that present law is inadequate to assure that foundations stick to their intended purpose. Sources in Congress anticipate a new law within two years.

This spring, President Johnson asked Congress to allow taxpayers a deduction on their income tax return of up to \$100 for political contributions. These contributions could be to any committee or association whose sole purpose it is to elect individuals to public office, or to any individual who is a candidate for any federal, state or local office in any general, special or primary election.

A somewhat different bill—aimed at defraying only Presidential election costs—is proposed by Louisiana's Sen. Long. He wants a Congressional appropriation equal to

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NEW RASH OF TAX LAWS *continued*

\$1 for each vote cast in a Presidential election.

Tax credits and write-offs to encourage industry to help more with river pollution control are being pushed persistently by business groups.

These got chilly reception

The Treasury has studied numerous tax credit proposals and is cool to many of them. Assistant Secretary Surrey claims:

"Tax credits are sought for college education, anti-pollution machinery, manpower training, underground transmission lines, state income taxes and a variety of other objectives. Their sponsors never seek to test the link between the tax credit and the objective, but rely instead on the appeal of tax credits and the social worth of the objectives.

"Yet that link nearly always will not stand the application of a rigorous cost effectiveness analysis, and it will generally be found that the tax credit is wasteful and inefficient when compared with equal or fewer dollars spent through a direct expenditure or other non-tax program."

Little current attention is being given plans, suggested by former Chairman of the Council of Economic Advisers Walter Heller and other economists, to refund revenue surpluses to the states. First, there have been nothing but budget deficits in recent years, and second, the Administration has never endorsed the idea. Finally, one Congressional seer says turning money over to the states *carte blanche* "just doesn't come natural to many Congressmen." It certainly doesn't to members of the appropriations committees who cherish their power of the purse.

Too, it's highly unlikely Congress will give the President stand-by authority to raise or lower taxes. Congress guards its authority to tax closely, too.

President Kennedy asked for stand-by authority, and President Johnson last year softened that request to one asking Congress to streamline its own tax consideration procedures. Mr. Johnson didn't renew his request this year, and sources on Capitol Hill and elsewhere feel Congress has warded off any Presidential interference by its speedy action on excise and withholding taxes this year. **END**

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continued from page 74

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Building design and construction

Strong trends in construction include bigness—more high-rise construction, improved conventional materials and synthetics (especially plastics), prefabrication to avoid costly on-site labor and greater concern for esthetics, interior environment controls, automation and other labor-reducing steps in operation and maintenance.

Cost-cutting is the major reason given for prefabrication of building components. Donald L. Preszler, Ken R. White Co., forecasts greatly increased integration of components, "structure, skin, mechanical and electrical, into premanufactured items that can be placed in the field as a single unit to minimize time and labor cost."

Several foresee improved lightweight steels, light concrete, specially treated materials like wood, increased use of plastics—in plumbing and even some secondary structural components.

Among others, Jack M. Lyerla, a structural engineer from Spokane, Wash., sees consequent demands for greater "technical knowledge to solve problems introduced by earthquake and wind-loading, column-shortening and many other items of a technical nature."

Another source predicted that buildings will become technological laboratories, outfitted with instruments like stress gauges, to create better understanding of the dynamic behavior of structures and of specific materials.

"Undoubtedly, more and more production-line techniques will be applied to the construction industry," adds the Leo A. Daly Co. "Application of such techniques will also result in the development of new

labor policies and new industrial relations in the construction industry—similar to those in today's factories."

How will tomorrow's buildings look? The experts disagree sharply. Some predict a reversion to classic European architecture with more ornamentation. One suggests an Oriental trend.

Mr. DeSerio, Rochester, N.Y., dissents: "Computer-designed structures will be functional, efficient, have no esthetic appeal or character and will be no more appealing to the eye than the formulas which generated them."

One clue comes from engineers specializing in heating, cooling and ventilation. Two—N. G. Gregerson, Dallas, Tex., and Harold J. Ryan, New York, N.Y.—specifically predict greatly diminished use of glass because of heat problems.

Others speculate on the use of water-cooled venetian blinds and lighting fixtures; still others predict the use of single units to provide both heat and light.

All of which suggests murderous competition in the air-conditioning field, which some predict will be rapidly expanded to outdoor stadiums and the outdoor surroundings of buildings.

In this vein of speculation, Fred S. Dubin foresees "air-supported structures and fabric skin building exteriors which will reduce foundation costs, construction costs, construction time and permit building configurations to meet varying esthetic and functional needs."

Meanwhile, the soil scientist and foundation engineer may well be pondering the subsurface characteristics of the ocean floor to cope with the needs of what one consultant calls "self-contained industrial complexes, in deep waters offshore [which] will revolutionize oceanographic engineering, transportation and communications."

Others in the same field will be pondering how to lay foundations for structures on the moon.

Recreation and leisure

Amid all this change and competition, there's agreement that there will be a need to "get away from it all"—for isolation.

Several report increasing work already in public and private recreational facilities—with notable emphasis on man-made bodies of water.

In fact, the experts see a tremendous upsurge in leisure-time activities—for everyone except themselves.

END

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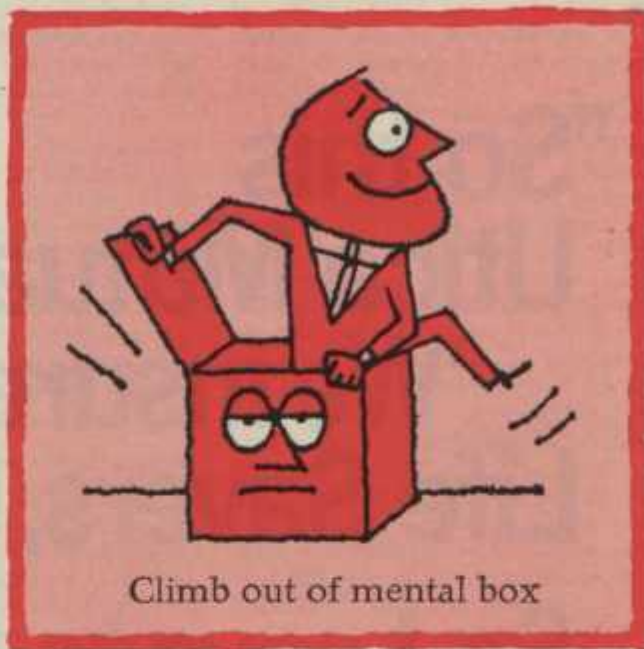
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Many managers admit that much of what they do could be handled by their secretaries. The routine part of almost any man's job takes a big percentage of his time. But it has to be done, and doing it efficiently frees you for those rarer moments when you really earn your pay.

Earn it by doing what? By developing fresh ap-

proaches toward old problems or new opportunities.

Every person with the wisdom and knowledge to become a manager in the first place has the intelligence to find new approaches—on big subjects or small details—if he gives himself a chance to keep his mind fresh by exposing it to new impressions.

How do you go about it? There are three basic ways:

- Talk to new people—both in your company and outside.
- Read with an unfocused mind from time to time, and without any definite objective.
- Most important get out—out of your office, out to the suburbs and beyond, out to another part of the country, out where you'll run into the unknown or unexpected.

These suggestions are intentionally broad. None of them will do you the maximum good if you talk, read or travel with too firm a plan in view. This would keep your mind in the same old rut.

If we go in with our own pre-set notions, questions, objectives, everything we hear, read or see is sifted and filtered to sort out just those points that fit nicely into our own thought patterns.

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One of a series of messages depicting another growing service of The Greyhound Corporation.

OPEN YOUR MIND TO FRESH IDEAS *continued*

These general principles apply to all companies, old and new; they apply to manufacturers and retailers, to top executives and lower-level managers. They are not limited, as some might imagine, to so-called glamor companies that specialize in futuristic research. On the contrary, the dynamic firm which is full of scientists may have the least need for mental refueling.

Teledyne, Inc., specializing in aviation and industrial-controlling devices, is an example. This Hawthorne, Calif., company is only five years old but it has acquired so many other firms and branched out so successfully that sales already top \$100 million.

Unlike many research-minded firms, Teledyne's profits have grown even faster than sales. Net income more than doubled last year, and may double again in 1966.

"The result of such growth is that we are forced into new ideas," says Teledyne's president, Dr. Henry E. Singleton. "Diversification is, in itself, a form of mental renewal. And in a rapidly growing company there is simply no chance for a man to grow stale in his job. One person may take on a variety of duties, in the race to keep up with multiplying operations."

"So, if anything, we have to remind ourselves of a reverse problem—not to stray outside our parameters. We have to be alert to keep our growth and innovation within the limits of our special fields."

But what of the company that tends to be static—one whose ways of doing business are apparently limited by tradition and location? That is where the most

determined effort is needed to break out of a mental box.

When Max Hess took over his family's department store in Allentown, Pa., in the 1930's, its annual volume was under \$1 million and declining. To force himself to innovate, he made an extreme decision: He would have no office of his own.

Walking about the store, talking with the other managers, with clerks, with customers, he could get a feel of what was wrong with various departments, what changes he would want to see if he were in the shopper's place. From this personal identification and from his love of travel, Max Hess began to bring Fifth Avenue and Paris to his small-town store.

Where a lunch counter had been, he put a gourmet restaurant. He brought high fashions from top European designers, put art objects in the aisles and crystal chandeliers overhead. He made it a place where customers like to come—including shoppers from Philadelphia and New York—and where they find themselves in a buying mood.

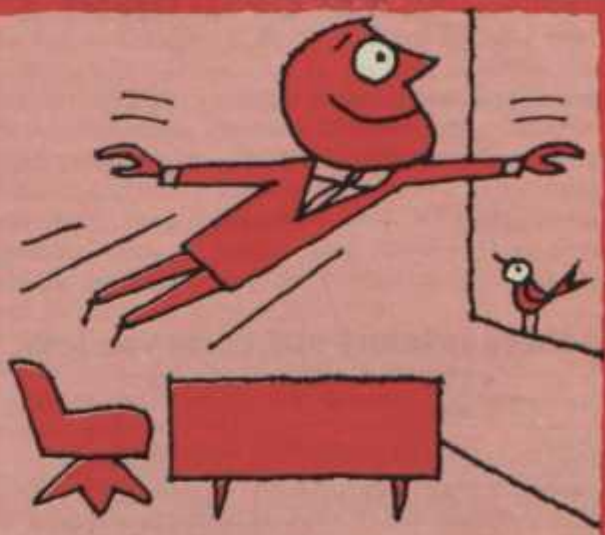
Today, with a sales gross of over \$35 million, Hess gets 12 cents out of all the retail dollars spent in Allentown and 54 cents of every department-store dollar in all of Lehigh County. Income per square foot is more than twice the national average.

And Max Hess says, "I still don't need an office or a secretary. I use everyone else's." Each morning he hangs his coat in the men's department—it has been sold by accident more than once—and spends most of the day out where the business really is.

This is an extreme example, but the spirit is



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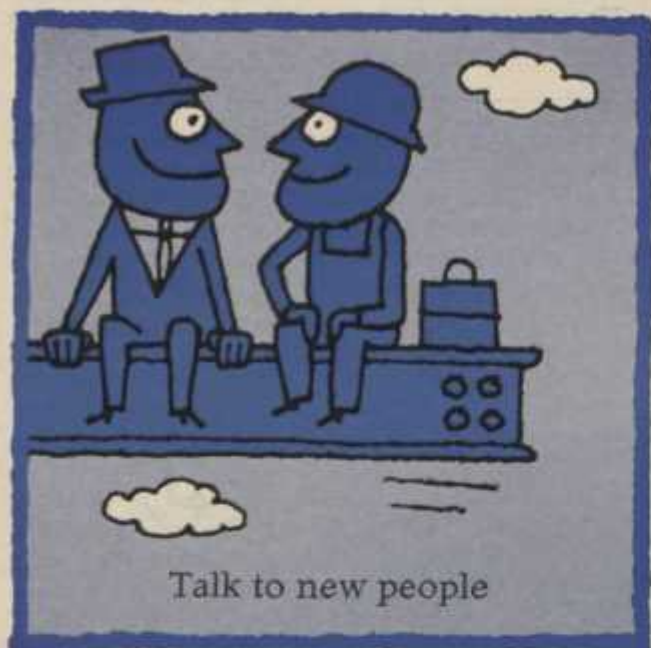
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ARMCO Metal Products Division

OPEN YOUR MIND TO FRESH IDEAS *continued*



Talk to new people

adaptable to every business. The other offices in your building and the corridors between contain a lot that can enrich your outlook.

Get a fresh viewpoint

Your sales staff is one of your best sources of information. And so are your buyers, for they talk with other people's salesmen. But when you meet with them or any other business associate, try to get away from your usual topics of conversation. Set aside a little time occasionally to let the other fellow chat about things he has been doing or hearing lately—in his company, his neighborhood, his club, his hobbies.

When you read—whether it is the daily paper or business reading—try reading just for enjoyment sometimes, letting the material wash over you without looking for a specific link to your own problems. Not always, but now and then, an idea will suddenly take shape before you.

Perhaps it will be linked to your business after all, but in a way that you had not thought about before. This will be something new and fresh—not necessarily workable, but from a number of such ideas something really worthwhile will develop.

Most of all, get away from your desk and from familiar sights. As near as your city's suburbs, there are probably new developments going on that may have a bearing on your company. Reading about them is one thing; wandering past to see and hear them is something else. At the very least, it will send you back to work with a more elastic mind. But there will be times when it will contribute something immediately useful.

Getting even farther away is better yet. A thousand miles across the country, or on the opposite coast, there are products, marketing methods, consumer demands and investment ideas that will be new to you. There are attitudes about growth, about this

country's policies and its economic future, that will often astonish you.

Like them or not, they will show you how many new patterns of thinking are possible, even in business situations you assumed were strictly cut and dried.

An executive of an auto parts company says he and his staff find that haphazard chats with people across the country are more productive than carefully planned brainstorming sessions aimed at making sales and markets grow.

At a recent conference, a neighbor seated next to him at dinner happened to ask, "Say, why is it that your parts catalog is so hard to use? Why doesn't it stay open like the others do?"

"Your catalog cover is made to close unless it's held open with both hands," the neighbor added. He said his clerks found it such a bother to use when they were talking on the phone that they usually selected a competitive company's parts instead.

"From this tiny remark, it dawned on us that a catalog should fight to stay open, not closed. And we have made a change that may mean a big increase in our sales," says the executive.

"But the idea had to come from outside. And it almost had to come accidentally. The fact that we had been ignorant of the problem all these years meant that it couldn't be found on anybody's prepared list of questions to ask."

The importance of travel is a favorite theme of Byron J. Nichols, general manager of Dodge Division and a vice president of Chrysler Corp.

"Neither routine cottage-on-the-lake vacations nor continuous work provide an adequate variety of new experiences for management," he says. "It is important that each executive does something different and travels to a new place every year." Nichols himself loves to read on a wide variety of subjects, in addition to his hobbies of flying, photography, farming, ham radio, real estate speculation and metal working.

"The stimulus of new activities and new people," he says, "and thinking actively about new nonwork



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OPEN YOUR MIND TO FRESH IDEAS *continued*

projects—these are essential for executive growth.”

Another company tells of an advertising copywriter who had been considered a dull mediocrity all his working life. “No matter what subject he took up, or how much time he spent gathering information, it all turned out routine,” says a colleague.

“A few months ago he retired at 60. He and his wife started off on a motor trip across the country. He has been sending back letters to the office, and they’ve all been posted on the bulletin board. They are by far the best writing he ever did—and some of the best letters I’ve ever read from anybody.”

Bear in mind that attitude is more important than exactly what new places you go. Just talking to people, just reading, just traveling is not enough. Most



people do all those things and come away with nothing fresh.

They go and find what they expect to find, rather than really seeing things as they are. This can be worse than nonproductive; it can be dangerous.

The head of a successful and very well-managed plastics company admits that he and a colleague made this kind of mistake when they went to Europe several years ago. They were “determined to get in on the new opportunities everybody was talking about.” Their decision to start a subsidiary in Britain ran into labor problems and disappointing sales, and led to a half-million dollar loss—all because they had overlooked some obvious pitfalls.

“We were so busy looking for pluses that our eyes were closed to the minuses,” says this candid manager.

Try being a novice

Variety doesn’t have to come from new places; it can also come from new experiences, doing things you never tried before.

A leading advocate of getting businessmen into politics, John W. Rollins, feels that one of the manager’s greatest benefits is in suddenly finding himself in a situation where he is a “new boy” again.

Chairman of Rollins, Inc., and former Lt. Governor of Delaware, Rollins is a zealot for endless education and for experiences that subject a man to questioning from new sources.

“One great danger in being a successful businessman is that you don’t have to explain yourself very often,” he warns. “That’s why politics is good discipline. You learn that you may not be the most popular man in the world. You learn to concede a little. You learn that a man whose mouth just happens to fit your ear may not be the best adviser.

“But it doesn’t have to be politics. Any activity that forces you to assume the role of a novice for a while will do you more good than a company meeting where everybody’s reaction is just what you expected all along.”

American efficiency—so famous all around the world—never really consisted of mere effort or speed of work. The great talent we have always had is that of coming up with new and better ideas. That takes a two-way mind, one that switches to receive new signals every so often.

All the valuable advice that American executives have absorbed on using time effectively is not to be swept away just because of experiences like these. But it is time to affix a big caution label to it.

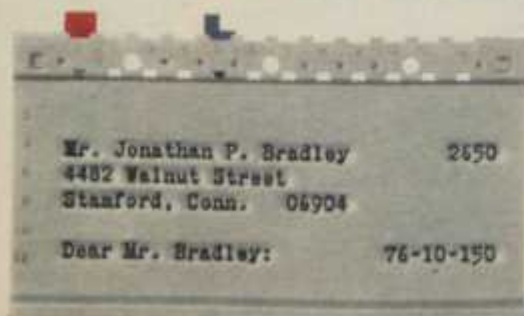
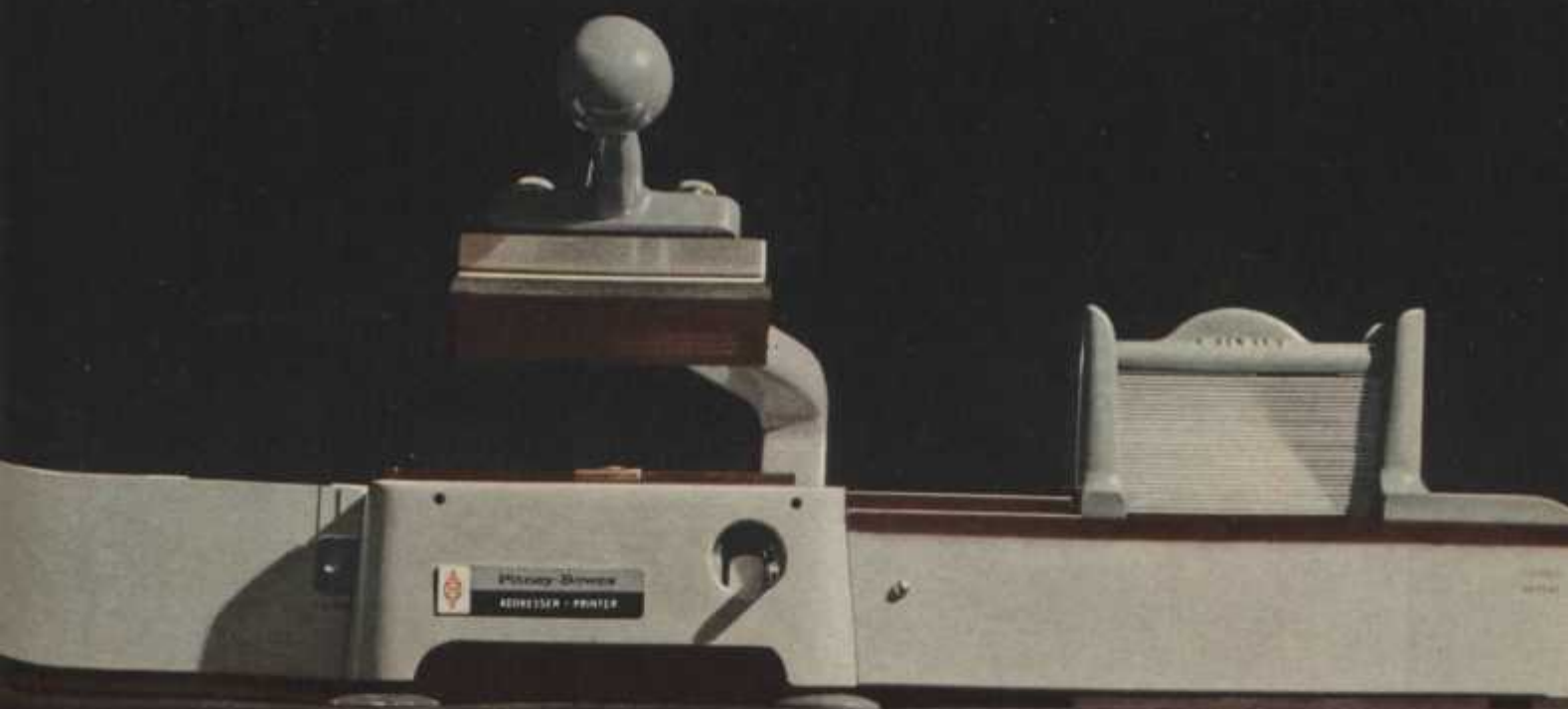
The passion for making every minute count in a preplanned way can boomerang. It can create a false efficiency while destroying true effectiveness.

The way to safeguard against this is to get out of the gold-plated rut now and then and gather fresh ideas that are essential to keep a business alive.

—CHARLES A. CERAMI

REPRINTS of “Open Your Mind to Fresh Ideas” may be obtained for 25 cents a copy, \$12 per 100 or \$90 per 1,000 postpaid from *Nation’s Business*, 1615 H St. N.W., Washington, D.C. 20006. Please enclose remittance with order.

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LESSONS OF LEADERSHIP: PART XVI

DARING TO BUILD ON A DREAM

A conversation with Conrad N. Hilton, who started with a small Texas inn and became host to the world

When the Puerto Rican government wrote a half dozen hotel executives back in the '40's asking if they were interested in building a hotel in San Juan, Conrad Hilton began his reply: "Mi estimado amigo." He enthusiastically outlined his conditions in the language spoken on the island.

Writing in Spanish struck just the right note and helped persuade the Puerto Rican agency that he should operate the hotel. He also shrewdly laid down terms that would set the pattern for what is now a richly rewarding international hotel network.

Conrad N. Hilton is a dreamer who makes his dreams come true. In 1919, with his limited funds pinned inside his coat, he went to Texas and made his first hotel purchase.

Today, at 78, Mr. Hilton is chairman of Hilton Hotels Corp. and president and chairman of Hilton International Co. Some 67 hotels, from Trinidad to Tel Aviv, currently fly the Hilton flag. He now has more hotels abroad than in the United States. Domestic operations grossed \$187 million last year, while the International Co. took in \$94 million.

Conrad Hilton had been known as the man

who bought the Waldorf—the ultimate symbol of the stature of a hotel man. Then in 1954 he acquired the Statler hotels in a dazzling real estate deal that cost seven times the price of the Louisiana Purchase.

An example of his ingenuity in making the best use of his assets was his creation of the 9,000 square foot Williford Room in the huge Conrad Hilton Hotel in Chicago. He got the room by dividing another room in half—horizontally. By building a new floor halfway between the original floor and the extra-high ceiling, he produced another badly needed room literally out of thin air.

Still the tall, erect, gracious host, Conrad Hilton reviewed his remarkable success saga in an interview with NATION'S BUSINESS in his elegant office in Beverly Hills. Here is his story:

Your first experience in the hotel business goes back to when your father had a boardinghouse type hotel in the New Mexico Territory, doesn't it?

That was a rather limited experience. There were eight children in the family and my father kept adding on rooms as the family grew. Then as we went off to school he found some rooms on hand and established this hotel. But the first

LESSONS OF LEADERSHIP *continued*

hotel that I had was in Cisco, Texas—the Mobley Hotel. My father was a pioneer settler in this little town of San Antonio, New Mexico.

I think when he started off his merchandise consisted of a jug of whiskey. Maybe he had a bolt of calico to go with it. Anyway, he was a very industrious man, and with what he earned he grubstaked this fellow who hit coal.

So he had this coal mine, and gradually, in this little community, my father was giving employment to virtually everybody: People in the coal mines, people to haul the coal. He bought the farmers' produce; he had the store; he had the post office; and eventually we had a little bank; and this little hotel.

I personally established the bank. That was my idea.

This was one of your first dreams—to be a banker—is that right?

Yes. But after the first World War was over, my father had died and I didn't know what I wanted to do.

An old friend, Emmett Vaughey, was very ill in Albuquerque, and I went up to see him. I remember his words very well. He said, "I am not long for this world. The Good Lord is going to take me soon, but if you will go to Texas you will make your fortune."

Now this advice—almost an order—from a man about to die so impressed me, I decided to do it.

So I did—still not knowing what I wanted to do, whether I wanted to go into banking or what. I stopped off first at Wichita Falls, Texas, and I went in to see a bank, and the owner said, "I wouldn't sell you this bank at any price."

Now when I speak about buying a bank, it had to be a small bank, you see. I didn't have a lot of money; in fact, I had about \$5,000. But I had credit.

The fellow in Wichita Falls said, "Why don't you go down to these southern oil fields? There is a booming town there, and I think you could find a bank down there."

So I landed in Cisco, Texas, in the midst of an oil boom, and I found a bank for sale for \$75,000.

So I thought, "Well, this is just about my size." I checked with a banker over there that I had known before. He was in El Paso, and I did most of my banking with him.

He said, "You damn fool! Go ahead and buy the bank. That is a

good deal. Draw on me for all the money you haven't got."

So I went back to Cisco and I sent this fellow a telegram: "Will take bank." I was dreaming big. This would be the cornerstone on a banking empire in Texas. I was even too impatient to bargain. He sent me back a telegram: "Price raised. Will not accept less than \$80,000." I was furious. Here against all my instinct and years of experience haggling and trading when working for my father I had met his asking price, and he had raised it.

That night I went over to this little hotel—the Mobley Hotel—and what a lot of bustle. Everything busy, and people waiting to get a bed for eight hours. They'd turn over three times in 24 hours. I introduced myself to the owner of it, and I said, "You seem to be doing a good business."

He said, "I am doing a fine business, but I could make more money out in the oil fields."

I said, "Would you sell this hotel?" trying not to appear too anxious. He said, "I might sell it a little bit later."

So I said to myself I am going to buy this hotel. And I did.

Now that is how I started.

So it was a bustling town, they were turning over those beds pretty fast and you looked at the books and decided this was a good proposition. Right?

I saw that it was much better than banking. I hadn't taken over the hotel 24 hours before I decided: This is what I am going to do. This is my life.

It was set right there?

Right there, I made up my mind I didn't want anything else. That was in 1919. Certainly the banker raising the price \$5,000 steered me off banking. But what really did it was going over there and seeing the bustle, having the owner tell me about all the business that he was doing, how the trains were coming in there at night and the money that he was making. When he showed me his books, I figured that I could get all of my money back in one year.

We didn't have any income tax then, so what a deal that was!

Imagine getting our money back today in a year. Today you have to figure on getting it back in 20 years. That is what it takes us with taxes and labor costs. So the hotel business is not as lucrative today as it was in those days.

I hit on a couple of major principles

for operating hotels at the old Mobley.

What were they?

I saw, around the hotel, we were not getting what we should out of the space. So I changed it, and I have kept that as a rule throughout my life, to find out what is the best use I could make of space. You see, you can either lose your money or you can make it, depending upon whether you know what the public wants. You have to know that and give them the most in the space available.

I figured out that customers at the Mobley could get food someplace else, and that they didn't need the hotel dining room. So we put beds in there. We were making no money on the food, and the rooms were in terrific demand. Today you might find that the best use of space is in a restaurant.

Another thing was building *esprit de corps* among the help. We got all the employees together and told them that they were largely responsible for whether the guests of the hotel were pleased and would ever come back. I have done that throughout my life.

What do you feel is your greatest accomplishment in your career? Getting the Waldorf?

Well, I would say that the important things that I did in my life, insofar as the hotel business is concerned, were the purchase of the Waldorf and the Statler hotels, and the inauguration of the international hotels. I felt, from the knowledge I had, that we had certain advantages in the international field that we did not have here. For instance, we had lower labor costs than we have here, as you know.

Then there was a great demand. For instance, in Paris we just built the Paris Hilton, the first hotel built in Paris in 33 years. Figure that, a city that size and it has not had a new hotel in 33 years.

Why had nobody else built a hotel?

The hotel people in Paris didn't want another hotel; they liked it as it was. And it is not easy to build a hotel today what with high taxes and high labor. But what we have wanted to do was to build hotels in the principal cities of the world.

We believe that we are helping out world peace by having these hotels. We have found out that, although people may be mad at each other, once they come into our hotel they are no longer mad.

Mr. Hilton, owning the Waldorf was

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LESSONS OF LEADERSHIP *continued*

one of your big dreams for many years. But the Hilton Corporation directors were pretty uncertain about it, weren't they?

That is right.

Why was the Waldorf, in your mind, such a huge target?

I saw it as the greatest hotel in the world. Its elegant rooms had housed the royalty of the world. When someone would call up asking for "the King," the telephone operator at the Waldorf would have to ask, "Which King, please?" But the hotel had gone broke. I remember one director who was very much opposed to it. I had bought bonds on the Waldorf in 1942 for four and a half cents on the dollar. That is how bad it was. Now it was 1949.

This director even called me up on the phone from Los Angeles to tell me of a warning. He said, "I just had a call from So-and-so. He said, 'For God's sake, don't let Connie buy the Waldorf.'"

But that didn't stop you?

It didn't stop me at all, because I knew the intrinsic and great value and prestige it would give our company to have a hotel like that.

This director, when the meeting came, said, "I will never vote against you when the voting starts, but I am against your doing this."

So my board of directors couldn't share my enthusiasm. And as president of the Hilton Hotels Corporation, I couldn't buy without their approval.

But as Connie Hilton, I could do as I had done 30 years before in Cisco, Texas. I could buy it myself and raise the money by selling the idea to backers who could see it as I did.

So I set things in motion in the old familiar way I had done in years past. I had leased old hotels in Texas. Then I had built that hotel in Dallas—and raised my first \$1 million doing it. And I had bought hotels cheaply after the depression and nursed them back to health. Now I called the man I considered the leader of the Wall Street crowd that held the Waldorf stock. I had been flirting with "The Queen" long enough.

"I'm ready to make you an offer today," I said. "What time should I come by?"

That afternoon I walked into his office and offered to buy 249,042 shares—a controlling number—at \$12 a share.

"The offer is good for 24 hours," I said. Then I handed him my own check for \$100,000 to bind the bargain. He said, "Give me 48 hours." I agreed. The offer was accepted, and all that stood between me and the Waldorf was \$3 million.

I went to some outside fellows. I said, "Look, would you put in \$250,000 in a deal with me on the Waldorf? I don't offer it to you, but I may want to offer it to you." They said, "Yes." So I figured I could raise enough to buy it.

I tried to stick to my practice of stopping work at 6 p.m. and dancing every night and playing golf. But final negotiations to get the money cut into my recreation. In fact, the only thing I didn't miss was Mass each morning at St. Patrick's Cathedral.

Now that the money was being raised, the Hilton board of directors said, "No, you don't either. As long as you have gone this far, this hotel is going to belong to the Hilton Hotels Corporation."

So then the corporation did put up the money that was still needed?

Yes, they did.

You had an even greater struggle getting the money to build your first hotel, the Dallas Hilton, didn't you?

Yes, I did. I almost went broke on that one. It was in 1925 and was the first hotel that I had built.

I told the owner of the land that I wanted to build a \$1 million hotel. I told him that instead of buying his land, I wanted to lease it for 99 years.

He shot back, "I'm not Methuselah. I won't live for 99 years."

But I told him, "If I don't pay, you get not only the land but the building." When he had agreed to that and the amount of the lease, then I let him have the big charge: "And I'd also like the lease to have a clause saying I could float a loan on the real estate." Did he yelp! But I finally got it.

But I just didn't have the experience or the knowledge. There are a lot of things you have got to think about. And though I raised the million, it wasn't enough. So I ran out of money.

Then, to get out of that jam, I went back to the owner and said, "Look, if you finish the building and take over, I'll give you much more and lease it back from you."

He was quite well-to-do but he was against it. So I talked and I sold. Finally, he said, "All right." That is how I got out of that one.

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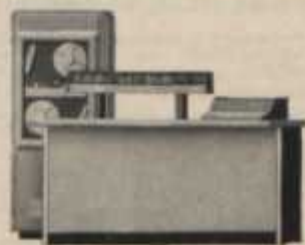
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LESSONS OF LEADERSHIP *continued*

about the good locations for hotels?

I think I have sufficient knowledge that I can decide where is a good location and where not to build a hotel. Now, this one [pointing to the nearby Beverly Hilton] I knew was a good location. It

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would make me so damn mad later, thinking of it. That used to be a cabbage patch there. And I kept saying to myself, "There is where you should build a hotel. Why don't you get busy and do it?" And I finally did it, but almost too late.

I was almost too late, because somebody else was about to grab the land. You know somebody else could see things, too.

But you moved more quickly?

I just went and said, "I want to make a deal," and I made a deal.

Didn't you have a similar type of problem with the Statler chain? Hadn't William Zeckendorf of Webb and Knapp already made a bid on it?

Yes, he had.

How did you swing that one?

I had been thinking about the Statler hotels, because I knew that they were not getting along very well internally, that there was a lot of friction. I had a friend who was vice president—God rest his soul, he is gone now—Jimmie McCabe, a wonderful man.

One day a number of citizens were invited on a trip over the Grand Canyon on a new plane of United Air Lines. I said, "I believe I will sit with Jimmie McCabe." During the trip, he said to me, "Why don't you go ahead and buy the Statler hotels?"

Mr. Zeckendorf had already entered into negotiations for it?

Yes. They had put up \$1 million. Mrs. Statler was trustee for quite a few shares in the corporation that Mr. Statler had left Cornell University. And she was also trustee for a couple of the children.

So—I think it wasn't any later than the next day—I got on the phone to Joe Binns in New York, who at that time was our vice president. I said, "Where is Mrs. Statler?"

"Well," he said, "she is here, but she is getting ready to leave."

I said, "Hold her there; I want to see her. I will leave immediately." I was in California.

He called back and said, "She will wait here for you."

There were three trustees, as I recall, and I figured, "Well, you can't fool around here. If you want these hotels you have got to act quick."

I said to Mrs. Statler, "Will you support me on a bid? I will give you a bid that will be much better than the bid you have now for the hotels." She said, "I will," just like that, very sweet.

She was ready to listen to another hotel man?

Yes. She had a feeling for the tradition of the hotels, and she wanted to see a hotel man running those hotels.

Zeckendorf had offered a good price for them; but he had put up only \$1 million of the \$110 million offered.

So instead of putting up \$1 million I put up \$7 million.

They had to take my offer. As trustees they couldn't take a \$1 million offer when they had a \$7 million offer.

This was the earnest money part of it. Right?

This was a cash deposit guaranteeing that I would go through with the deal, but I offered the same total price.

The total deal was \$110 million, all cash?

Yes. It was the biggest real estate deal, I believe, ever made.

Mr. Hilton, I know you had a terribly rough time during the depression. You lost one hotel after another. You borrowed to the hilt. What made you continue?

I wouldn't give up. In the first place, I wouldn't give up because that isn't the way I am constituted. And I figured that I would be able to work this situation out sooner or later. At that time hotels were going broke all over. In fact, I think the record shows that about 80 per cent of all hotels in America went broke.

And at one time I was \$500,000 in debt and nothing coming in. But I worked out of it.

What are some of the principles that you have employed in operating hotels besides looking for waste space, and building esprit de corps.

One of the principles that I insist on—which I think works, judging from the letters that I get—I must have my hotels in first-class condition. I want the guest, when he comes in there, to see a nice room, a clean bathroom, so I insist on that.

I have found that you will not complain about what I charge you for your room, if I give you something that is pleasing to you when you enter that hotel. But if I give you an old worn-out carpet, for example, you are not going to like it; and you are going to be unhappy.

I have learned also that each hotel must have a personality geared to its location, that you must be ac-

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The massive market of nearly 2½ million people in LILCO's service area, and the unparalleled air, rail and sea facilities of the Port of New York provide industry with one of the world's most strategically located areas for the movement of merchandise.

Resources necessary for industry are abundant on Long Island. Fresh water is plentiful, and so is low-cost gas and electric power. The work force, already great, is steadily increasing. And Long Islanders work, play and shop in their own area, providing business and industry with an ever-expanding consumer market, as well as an unlimited supply of fresh talent from 19 local colleges and universities.

Long Island is vital, growing, progressive. It is alive with activity and opportunity.

We will be delighted to help you find a preferred site here for an east coast branch... and send you a detailed Industrial Area Development Map of Long Island. Just mail the coupon, send a wire or telephone our Area Development Manager, area code 516 PI 7-1000, ext. 440. Of course, all inquiries held in strictest confidence.



Come to Long Island—the place to live, work and play.



Area Development Manager
LONG ISLAND LIGHTING COMPANY
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Gentlemen: I would appreciate your assistance in finding a preferred industrial site on Long Island and receiving your detailed Industrial Area Development Map.

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LESSONS OF LEADERSHIP *continued*

curate in forecasting demand, that you can save with mass purchasing, that you need promotion and selling and training.

I gather from reading your book, "Be My Guest," that your family, particularly your mother, had considerable influence on you.

Yes. I recall that every now and then, when I was particularly successful, somebody in the family would kind of knock the air out a bit. I came home one time and told my mother: "You are looking at a man with hotels now valued at \$41 million."

She retorted: "You don't look a bit different to me, except you have got a spot on your tie."

It was apparent in reading your book that three touchstones in your life have been your faith, hard work and vision. What personal qualities do you think are essential to success in any line of endeavor?

Well, I'll tell you. Something that I have strictly adhered to is to have integrity, never under any circumstances to deceive anybody, to have your word good. Under no circumstances deviate from that.

In operating internationally, what procedure do you think is best to follow? Or does it vary with each particular country? I know you have some partnership arrangements with governments.

We like to make deals where we have the government in with us; then we don't have any trouble. We have tried, insofar as our international hotels are concerned, to say: "We will operate this hotel. You build it, you furnish it; we will provide the operating capital; we will provide the staff, and from then on you won't have any work. And we will divide up the profits, two thirds to you—one third to us." That is what we try to do.

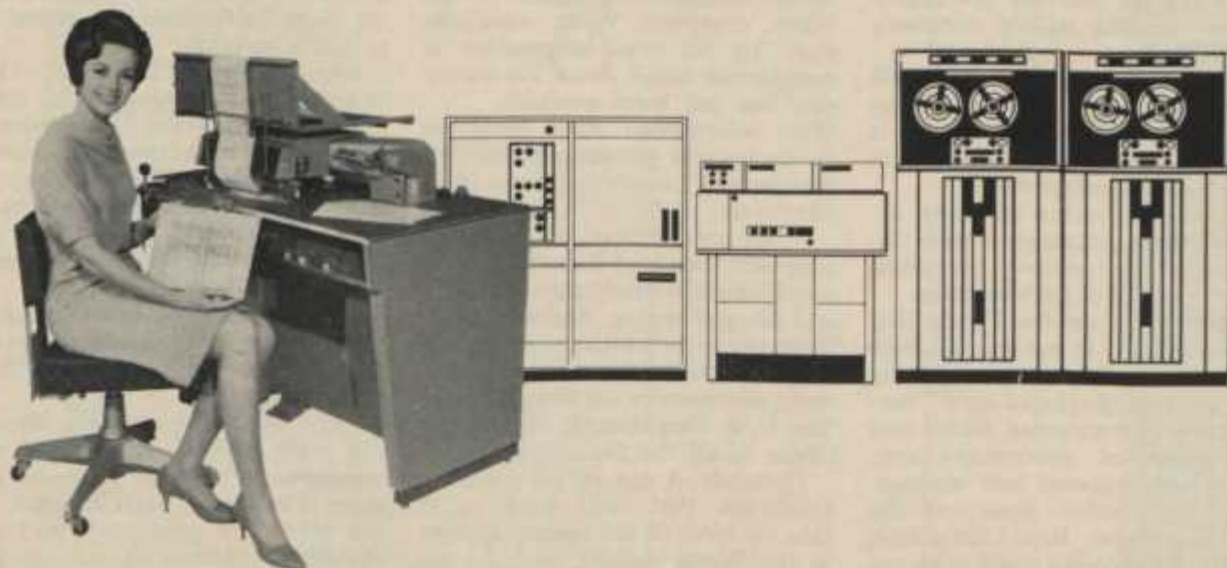
How did you arrive at that two thirds—one third?

We just figured it was a fair deal, and it has turned out fine for them and for us.

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WHERE THEY CAN GET JOBS

continued from page 39

a war on unemployment without collecting the intelligence and making use of it."

Pending legislation, the Manpower Services Act of 1966, tells the Labor Department to:

- Scour the nation to locate job openings and relay this information to job seekers.
- Make it easier for the unemployed to go to other areas, or other states, where work awaits them.

Actually, this authority is not all brand new. Congressman Curtis points out:

"The 1962 Manpower Development and Training Act called upon the Secretary of Labor to develop a system of job vacancy statistics.

"In 1966, four years later, I asked the Secretary of Labor where these statistics were. He responded that Congress had not yet appropriated the \$2.5 million necessary to get this data.

"I asked him then, and I still wonder, why an Administration that spends \$110 billion a year is unwilling to spend \$2.5 million in this vitally important area."

Rep. Curtis rattles off many examples where private enterprise (including a few unions) has taken opportune note of job vacancies.

A few years ago the Pacific Bell Telephone Co., in automating from operators to dial, set up training for soon-to-be-displaced girls. Several airplane companies, forced into cancellation of government contracts, have entered into arrangements with other firms for the location of jobs. Rep. Curtis feels that the government could work out an effective job location system if it would publish a running index on job vacancies.

Instead, he maintains, government keeps getting in the way of persons who do seek jobs.

The Labor Department dallied 16 years (1949-65) in bringing out a new edition of the Dictionary of Occupational Titles, although the needs for specific skills are constantly changing.

Rep. Curtis has a bill that would grant deductions to job hunters and job changers, thereby encouraging a needed unemployment remedy—mobility of workers. He has proposed a loose-leaf edition of the Dictionary of Occupational Titles to record instantly changes in skill demands.

The limited statistics available

from private and local sources bear out the need for mobility. Vacancies are reported at every skill level, but these vary from area to area.

Some months ago, for example, Charlestown, W. Va., and Providence, R. I., had unmatched problems. In Charlestown, 50 per cent of the vacancies were for professional-managerial workers and only five per cent for semiskilled workers. In Providence, the reverse was roughly true. About half the open jobs were for semiskilled, and five per cent for professional-managerial personnel.

A national clearinghouse for this information could have helped to transfer nonworkers between these cities.

Belatedly the government has undertaken some mobility projects under the Manpower Development and Training Act of 1962. Last year some 1,200 workers and their families were moved where the jobs were. But in the Department report which discussed the success of mobility, Secretary Wirtz complains that "up till now, information of comparable detail about job vacancies has not been available. . . . With information about both job vacancies and job seekers, the Department of Labor could serve more effectively. . . ."

What goes on here, anyhow? The supposed friends of the workingman squabble while Americans sit around and jobs go begging. And why aren't these job opportunities made known to the public? Help-wanted ads in daily newspapers are there to read. The U. S. Employment Service has offices in all the big cities.

Certainly it can be no secret in California that field work could take up most of the unemployment in the Watts district, and the existence of 8,000 relatively easy-to-get jobs in Rochester must have been known to some people.

The Labor Department recently conducted an opinion survey among its job trainees and found this amazingly frank revelation:

"When asked to comment on the unemployment problem, more trainees blamed unemployment on unwillingness to work than on the lack of jobs, bad luck or discrimination."

That candid admission throws much light on the motivation of many nonworkers. Americans do not seek jobs they consider disagreeable or stigmatized as socially undesirable.

The Labor Department, in a survey of 16 labor areas covering 20 per cent of the nation's employment, discovered that about half the

openings for semiskilled workers had been vacant for at least a month. These were hard-work openings in transportation equipment, warehousing and construction. More than half of the unskilled jobs went unclaimed for a month. These were service jobs, such as waitresses, kitchen workers, porters, hospital attendants.

Why aren't Americans more skeptical about the buildup of a mammoth anti-poverty program in times of prosperity? Why do we permit welfare-squatting and other outrages against the public purse? If there is any excuse for voluntary unemployment, it is at least partially ignorance. If any large number of people, over a long period of time, are unaware of the work opportunities, it is because public officials have apparently suppressed job information.

A once-a-month revelation of work opportunities, spread as it would be in the newspapers and over the airways, would either abolish most joblessness or expose it to public scrutiny.

Sen. William Proxmire (D., Wisc.), a co-member with Rep. Curtis on the Joint Congressional Economic Committee, has noted that his subcommittee's interest in data on job vacancies goes back nearly five years. In a report on "Employment and Unemployment" of January, 1962, the unit said:

"Research should be undertaken toward development of a regular monthly survey of job opportunities or vacancies. . . ."

The Labor Department finally did begin making a survey of job vacancies on a limited basis "to get some experience and insight" as the project is explained by Irvin Wingard, special advisor on job vacancy statistics with the Bureau of Labor Statistics. The department now is seeking \$2.5 million to expand the meager operation.

But the unions so far have managed to block the job vacancy index by cutting off its funds. When the request for \$2.5 million to continue the survey reached the House Appropriations subcommittee, Rep. John Fogarty (D., Conn.), a former bricklayer, apparently talked his fellow Democrats into killing it. The Democrats, bolstered by information that President Johnson reportedly approved their move, voted to strike down the fund.

Someday, perhaps, we will be able to compile this valuable information. Then voluntary unemployment will have less excuse to exist.—HOLMES ALEXANDER

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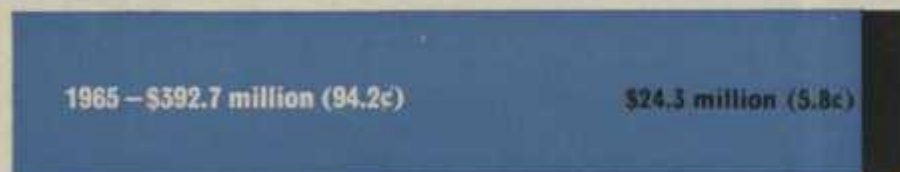
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Why all the confusion over profits?

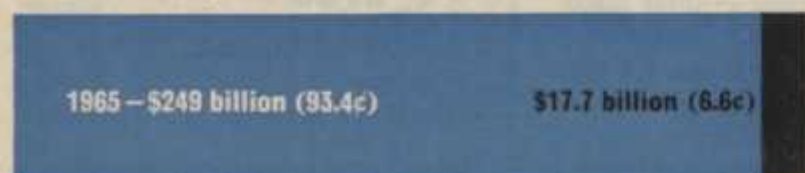
Corporate profits have become a political football because they are so misunderstood

Comparison of employee compensation and shareholder dividends

In Singer world-wide



In all U.S. corporations



Employee compensation

Shareholder dividends

SOURCES: ALL U.S. CORPORATIONS: U.S. DEPARTMENT OF COMMERCE. SINGER: ANNUAL REPORTS OF THE SINGER CO.

Typical of all U. S. corporations, The Singer Co.'s payroll costs far exceed its profits. It pays \$15.25 to employees in wages and salaries for every \$1 it pays its stockholders in dividends.

"Never before has industry made so many trips to the bank with such staggering loads," says United Steel Workers President I. W. Abel.

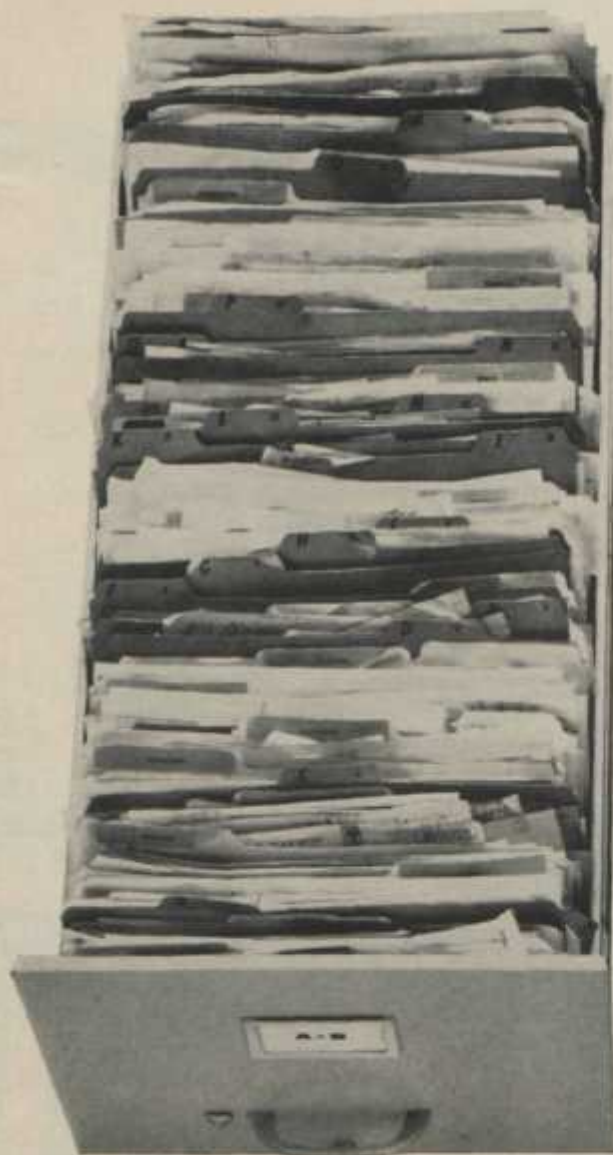
"A New York Times survey of first-quarter earnings of 516 industrial, manufacturing and service companies showed that the average corporation is making one third more profits this year than in the same period last year," Mr. Abel continues.

And he strikes an undoubtedly responsive chord with many employees throughout the United States by asking: "Wouldn't it be wonderful if the nation's workers, including government employees, were making one third more this year?"

However, neither Mr. Abel, nor those who agree with him, seem to have seriously considered whether the large pay increases they are demanding might be self-defeating by causing wage-push price inflation and the loss of more U. S. jobs to lower-cost foreign producers. For example, millions of Japanese-made sewing machines are now in use in American homes, whereas before World War II practically all household sewing machines sold in the United States were made here. Japanese-made cameras, radios, television sets and even automobiles are being sold in the United States and in other world markets, in increasing quantities.

And no wonder. Japanese em-

JOHN Q. JENNINGS, author of this article, is employee relations consultant of The Singer Co., New York, N. Y. He is an expert on the subject he takes up here: The public's lack of knowledge of payrolls vs. profits.



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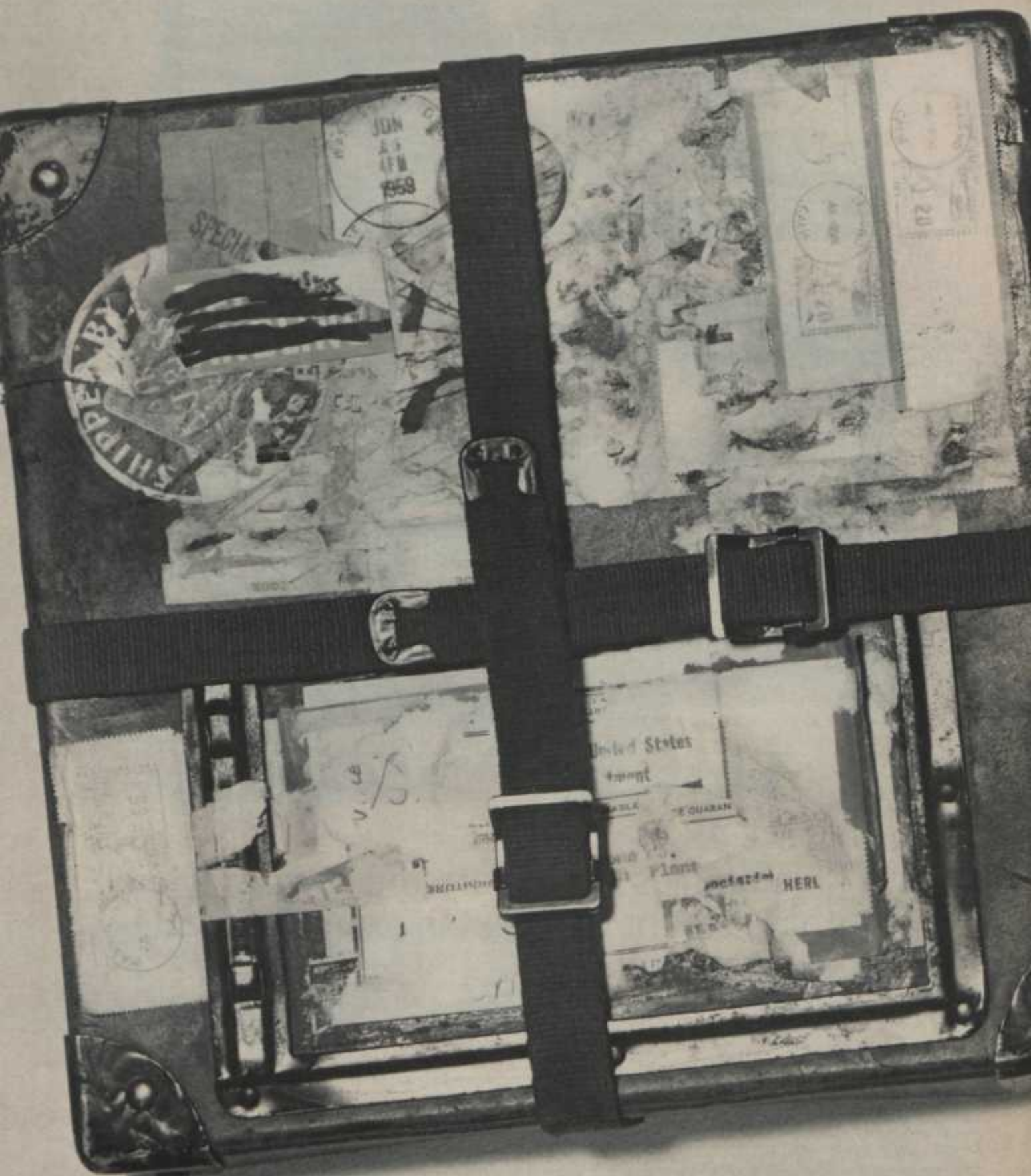
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More than 100 million Americans have seen this film, "It's Everybody's Business"

The chances are that you are familiar with the motion picture, "It's Everybody's Business," which is distributed by the National Chamber.

This film is a classic. By a conservative estimate, it has been viewed in the past ten years by more than 100 million persons. And it is more alive—more in demand—today than ever.

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"It's Everybody's Business" tells the basic story of the free-market economy.

It clears up popular misconceptions about the competitive enterprise system. It explains clearly:

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- How profits ensure job security;
- How increased productivity contributes to a higher standard of living;
- How competition results in better products at lower prices; and
- The role of the Government in a free society.

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"It's Everybody's Business" is not only factual and fast-moving, but it is also highly entertaining.

It is an animated cartoon in Technicolor—16 mm, with original music score, and cleared for TV. It runs 22 minutes, every one of them informative and enjoyable.

"It's Everybody's Business" was written and produced by the National Chamber in cooperation with E. I. duPont de Nemours & Co., (Inc.). It is the winner of the Top Film Award by Freedoms Foundation for outstanding achievement in creating a better understanding of the American way of life.

Worth Showing Again

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1966

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☐ Check is enclosed. ☐ Send bill.

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CONFUSION OVER PROFITS *continued*

employee costs are only a fraction of such costs in the United States. Japanese employees got only 55.2 per cent of that country's national income in 1964, when U. S. employees were receiving 70.8 per cent of ours.

Yet, U. S. union leaders seem bent on outdoing each other in their wage demands. They are unanimous on one point: That the administration's 3.2 per cent guideline is "too restrictive." None has been heard to question the economic soundness of Mr. Abel's feeling that it would be "wonderful" if pay went up by the same percentage as profits.

Why can't employee compensation increase at the same rate as profits without causing wage-push inflation?

Because of the largely ignored mathematical fact that 10 per cent of \$90 or \$9—is four and one half times as much as 20 per cent of \$10—or \$2.

In other words, a small percentage increase in the huge sum paid employees looms much larger than a big percentage increase in the much smaller sum for net profit and dividends.

The profits of all U. S. corporations in 1965, excluding earnings on their operations abroad, were \$41.3 billion. This is 21.1 per cent more than the \$34.1 billion for 1964, according to the latest information from the Department of Commerce.

Cash dividends of all U. S. corporations in 1965, paid out of earnings inside this country, were \$17.7 billion or 10.6 per cent higher than in 1964.

Total employee compensation earned inside the United States in all corporations increased by 7.7 per cent to \$249 billion.

If employee compensation had increased by 21.1 per cent, the rise would have been \$48.8 billion, or \$7.5 billion more than the total profits of \$41.3 billion earned in 1965.

If it had increased by 10.6 per cent, the increase would have totaled \$24.5 billion, or over a third more than total dividends in 1965.

If the pay of "the nation's workers" had increased by the one third Mr. Abel mentioned, the increase would have totaled \$77 billion or well over four times the dividends paid in 1965.

Of course, the 20 million corpora-

tion shareowners would never have stood for any such treatment. And since management would have to raise prices enough to maintain profits and dividends at satisfactory levels, the result would be wage-push price inflation which would have wiped out most of the wage increase.

While there is nothing new in all this for experienced economists, most members of the general public are uninformed about the relative sizes of the base figures to which the percentage increases apply. Public opinion surveys show this.

A national survey by Opinion Research Corp. of high school teachers who, of course, have to be college graduates revealed that 52 per cent of them believed that the largest share of the national income goes to owners. For 1965 the facts, according to the U. S. Department of Commerce, were: Compensation of employees, 70.3 per cent; income of professional people and proprietors, 7.3 per cent; income and profit taxes of corporations, 5.6 per cent; corporate profits plowed back into the business for modernization and expansion, 4.5 per cent; dividends received by corporate shareowners, 3.4 per cent; rent received by landlords, 3.3 per cent; interest received by banks, insurance companies and other lenders, 3.2 per cent; income received by the nation's farmers, 2.7 per cent; inventory valuation adjustment minus 0.3 per cent.

If the compensation received by all employees were to increase by one third more than in 1965, the increase would total more than all the profits, rent and interest in the nation in 1965.

Here is another opinion poll that is perhaps even more significant. Opinion Research Corp. asked a cross-section of Americans:

"Let us take all the money of a corporation after paying for material, supplies, rent, heat and the like. This is the money that is shared by owners and employees. What is your judgment as to the percentage of this money going to employees and the percentage going to owners?"

The average answer was that 75 cents out of every \$1 of this divisible income went to owners and only 25 cents went to employees.

Wages 93¢—dividends 7¢

Actually, employees of all U. S. corporations received 85.8 cents of each \$1 that was divided between

compensation and net profit in 1965, with the remaining 14.2 cents being net profit. Employees received 93.4 cents of each \$1 that was divided between compensation and dividends, with the remaining 6.6 cents being paid out in dividends.

Thus, employee compensation was over six times as large as net profits and over 14 times as large as dividends paid.

These facts are completely the opposite of what people believe, namely, that employees get only one third as much as owners.

Nationwide opinion surveys made by the Gallup Poll organization and by Opinion Research Corp. over a period of many years have consistently and repeatedly revealed that the typical American believes U. S. firms average in the neighborhood of 20 per cent profit, regardless of whether he is thinking in terms of profit on investment or profit on sales.

The latest official, nationwide profit margin figure (issued by SEC and FTC) is the 5.6 per cent profit on sales in U. S. manufacturing corporations in the first quarter of 1966—up two tenths of one percentage point from the same quarter of 1965.

But there are many thousands of unincorporated manufacturing enterprises, whose profit figures will not be included in national statistics until the Commerce Department issues its figures in July, 1967, for the year 1966.

This profit figure for both incorporated and unincorporated enterprises is invariably considerably lower than the figure for manufacturing corporations only.

Profits: 4.27%

For 1964, for example, SEC reported a 5.2 per cent profit on sales figure for manufacturing corporations, but the final figure for all manufacturing issued by the Commerce Department was 4.07 per cent. This profit margin figure increased to 4.27 per cent in 1965.

And the "all industry" profit margin figure increased from 3.4 per cent on sales in 1964 to 3.65 per cent in 1965, which was still only about one third of the 10 per cent profit which opinion polls have shown people generally believe to be "fair."

Granted that return on investment or on assets is probably the most meaningful figure for business executives and investors.

However, profit on sales is more meaningful to employees and retail



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TRAINING FOR INDUSTRY

CONFUSION OVER PROFITS *continued*

customers. This shows them how much of the price they pay for any product ends up as net profit, after taxes, for the store or for the manufacturer. When actual profit on sales figures are compared with public opinion about the size of profits, we have some measure of the shocking

proportions of one of the greatest economic delusions of the Twentieth Century.

What has caused this delusion and what, if anything, can be done to correct it? What can government do to help? What can businessmen do to help?

Cause of the Confusion

One of the longest-standing causes of the overestimate of prof-

its in manufacturing is the Census of Manufactures, which has been published by the government since 1809, three years before the start of the War of 1812. In recent years this census has been published by the Commerce Department. For at least 60 years it has been misinterpreted by critics of the United States and its economic system. The latest issue, which is for 1963, is being similarly mis-

A QUIZ FOR YOUR EMPLOYEES

Few Americans realize how much business pays out in wages and salaries, and how little is left for dividends and profits.

How much do your employees know about these economic facts of life?

Here's a form you can use to take a confidential, unsigned opinion poll—and report the results compared with actual figures for pay, profit and dividends.

1. If you owned and operated this business or some other business of your own, what would you consider to be a "fair" per cent of profit on sales after taxes? Answer (%).

2. What per cent of profit on sales after taxes do you think the company you work for made during 1965? Answer (%).

3. Out of each \$1 the company divided last

year between employees and net profit, estimate how many cents went for pay and fringe benefits and how many for net profit. (The two figures must total \$1.)

Answer: Total employee pay plus
fringe benefits ()
Net profit ()
Total of both figures \$1.00

4. Out of each \$1 the company divided last year between employees and dividends, estimate how many cents went for pay and fringe benefits and how much for dividends. (The two figures must total \$1.)

Answer: Total employee pay plus
fringe benefits ()
Cash Dividends paid ()
Total of both figures \$1.00

Report results to employees on per cent of profit on sales after taxes—

- A. That employees, on the average, thought would be "fair" (%).
B. That employees, on the average, thought company made in 1965 (%).
C. That company actually made in 1965 (%).

D. Distribution of income between employee compensation and net profit in 1965—

1. What employees thought:

(%) (%)
(Employee Compensation) (Net Profit)

2. Actual in all U. S. corporations:

\$249 billion (85.8%) \$41.3 billion (14.2%)
(Employee Compensation) (Net Profit)

3. Actual in this company:

\$ (%) \$ (%)
(Employee Compensation) (Net Profit)

E. Distribution of income between employee compensation and cash dividends paid in 1965—

1. What employees thought:

(%) (%)
(Employee Compensation) (Shareholder Dividends)

2. Actual in all U. S. corporations:

\$249 billion (93.4%) \$16.6 billion (6.6%)
(Employee Compensation) (Shareholder Dividends)

3. Actual in this company:

\$ (%) \$ (%)
(Employee Compensation) (Shareholder Dividends)

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CONFUSION OVER PROFITS *continued*

interpreted. It shows the value of shipments in all U. S. manufacturing as \$417.9 billion and total payroll as \$99.7 billion. You will notice that the difference between these two figures is \$318.2 billion. But there is no indication in the report of what happened to that money.

Critics of our economic system assume that most of the unexplained \$318.2 billion went for profit. Marxists have been very specific about their misinterpretation; they say these official government statistics prove that in U. S. manufacturing, employees get only 20 cents out of each \$1 that is divided with owners, the owners getting the remaining 80 cents.

Fortunately, their interpretation is completely erroneous, since most of that money went, not for profits, but for such things as raw materials, power, fuel, depreciation and other expenses involved in the manufacturing process.

The actual profit in manufacturing in 1963—revealed by other Commerce Department publications—was only \$13.9 billion. If the government would simply insert that figure in the Census of Manufactures report, it would correct a 60-year-old cause of the overestimate of manufacturing profits that has been spread throughout the world in innumerable languages.

What Washington could do

The government could also be helpful if various departments, particularly Commerce and Labor Departments, would publish, in easily understood chart form, such key employee compensation, profit and dividend figures as have been cited above. It seems to me that if government departments would do this, it would do more to dampen the fires of wage-push inflation than any voluntary guideline anybody might dream up.

Over the years, the Commerce Department has issued very informative charts on these matters.

Additional charts of this kind, issued more frequently and distributed far more widely than at any time in the past, would go a long way toward correcting this economic delusion.

However, businessmen are in a position to do even more to improve the state of economic liter-

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CONFUSION OVER PROFITS *continued*

acy here and abroad. I recently read a very impressive advertisement in which a company sought the favor of the financial community by boasting of a 47 per cent increase in its profits in 1965 over 1964. It doubtless did impress possible investors. But what of the effect of such an advertisement on that company's employees, and on the general public?

Standing alone, that advertisement would convince almost any employee that the company could raise pay *more* than 3.2 per cent and still have plenty of profit left to pay handsome dividends to the shareowners.

Very few members of the general public would conclude that company's profit could possibly have been so modest as 6 per cent on sales, after the 47 per cent increase had occurred. And yet 6 per cent actually was the profit figure revealed in that company's annual report—a figure that is not much more than half the 10 per cent which people think is "fair" and less than one third the 20 per cent profit which the average American thinks manufacturers earn.

Where business is at fault

When I tried to learn how that company's employees fared, compared with the owners, I searched its annual report in vain for a total compensation figure. It simply was not reported anywhere.

This is but one example of material appearing regularly in the press which helps to create the popular belief in huge and soaring profits. Newspapers are full of advertisements announcing sales in which prices are reduced 15 to 20 per cent or more. People naturally assume that normal retail profits are more than the amount of such price reductions.

It is not surprising, therefore, that so few people realize that the profit on sales could be so low as the actual figure—1.4 per cent in all U. S. wholesaling and retailing in 1965.

And very few people realize that in many companies, including the 14 largest manufacturers, stockholders outnumber employees, sometimes by a wide margin. This margin is five to one, or even more, in some oil companies where capital investment per worker can reach huge proportions. In petro-

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CONFUSION OVER PROFITS *continued*

leum refining, for example, the capital investment per production worker is \$258,400, according to the National Industrial Conference Board—a fact which only a small minority of the general public realizes.

The word "surplus" is another troublemaker. It is one of the most unfortunate names ever dreamed up for use in an annual report, and yet it has been a standard accounting term for many years. To many employees it sounds like money lying idle, readily available to be dipped into for a substantial pay increase. Something like "earnings reinvested in the business" would be more accurate and

less inflammatory. U.S. industry could do a better job of telling the facts about return on sales, employee compensation and capital investment per employee.

Educating the public

Opinion Research Corp. examined 600 issues of 100 representative company publications not long ago and found that 82 per cent of them carried no treatment of profits in any form.

Is it surprising that so few employees are well-informed about profits?

In addition, the National Industrial Conference Board has reported that 99 of the 200 largest manufacturers do not report employee compensation, either to their shareowners or their employees.

Employees and the public who know the facts will be able to figure out for themselves that just because profit goes up 21.1 per cent does not mean that pay can also go up 21.1 per cent without causing wage-push price inflation. But employees and the public will not know the facts unless government and business widely distribute simple charts showing the size of employee compensation and of profits and dividends—in the entire economy and in individual firms—and how they compare. **END**

EMPLOYEE ANNUAL REPORTS, a new booklet describing more fully methods to explain a company's figures to employees, is available from the Chamber of Commerce of the United States, 1615 H Street, N.W., Washington, D. C. 20006.

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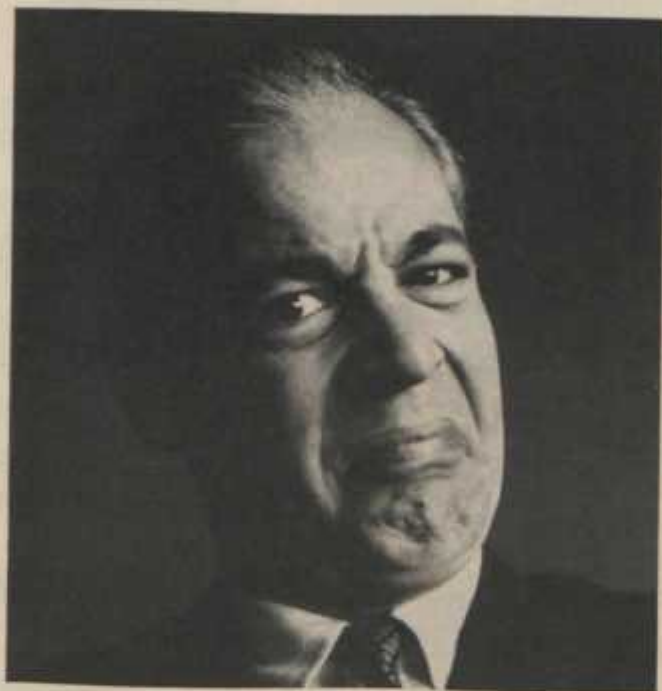
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But certainly the federal government can't claim to be a howling success in its own U. S. Travel Service's efforts to draw visitors from overseas. Its record is a meager one compared with the seven million tourists who swarmed to California last year.

The fact is, that West Coast mecca for tourists needs advice in tourism about like bees need instruction in making honey.

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Nation's Business • September 1966

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